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Richard Bellamy

MORALIZING MARKETS

The Austrian school tends to associate the morality of the market with its efficient operation. Consequently, it criticizes attempts to offer an ethical evaluation of the market for not understanding how the market works. This criticism proves correct with regard to those who would seek to run an economy according to a set of predetermined moral criteria, such as socialist advocates of central planning or Victorian moralists who regarded the market as the embodiment of the desert ethic. However, if the market trades on moral resources it does not create, this may justify placing it within a more substantive moral framework that establishes its ethical basis and limits.

As Alexander Shand observes in the introduction to *Free Market Morality: The Political Economy of the Austrian School* (New York: Routledge, 1990), "during the last decade many confident and widely agreed beliefs as to the ability of the state or its agencies to shape human affairs wisely have been severely shaken" (1). This waning confidence in the state has extended far beyond a loss of faith in the virtues of the centralized economic planning characteristic of the Soviet Union. Even before the collapse of the Eastern bloc in 1989, there had been a growing intellectual and political acceptance in many Western democracies that market forces might

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prove appropriate for the delivery of a much wider range of services than had hitherto been regarded as either possible or socially responsible. Particularly in Britain, but increasingly elsewhere in Europe, the public sector has been dramatically diminished in both size and scope. Not only has the state's economic role been greatly reduced by numerous privatizations of nationalized industries, it has also either relinquished or subjected to market forces a whole series of administrative, social policy, and welfare functions, as well.

Two arguments lie behind the case for supplanting state institutions with market mechanisms over a wider area of social and economic life. First, there is the claim that markets are simply more efficient and less corrupt in delivering and coordinating services and responding to consumer demand than are state bureaucracies. Second, there is the belief that the distribution of burdens and benefits provided by the market is in some sense more just. Although distinct, the efficiency and the morality arguments are generally combined in one way or another by proponents of the market. Two broad kinds of combination currently dominate. Popular defenses of the market tend to appeal to a Victorian ethic of desert worthy of Samuel Smiles, suggesting that the efficiency of the market results in large part from the fact that it rewards effort, contribution, and merit, in the process encouraging individuals to cultivate the virtues of thrift, self-help, integrity, and industry. Contemporary libertarian defenses of the market, in contrast, generally drop such traditional liberal arguments for the substantive justice of laissez-faire capitalism. Instead, they stress the justice of the rules governing individual transactions. From this perspective, the fairness of the market depends on the justice of its procedures rather than on its outcomes. Whereas the first view regards the efficiency of markets as the reward for virtue, the second reduces virtue to a function of market efficiency.

The radical difference between the two points of view is particularly clear in discussions about the limits of markets. The first view marks these limits in terms of their moral appropriateness; the second has a tendency to identify moral inappropriateness with falling efficiency. The recent rolling back of the state has been largely conducted in terms of the second view. In many respects, it favors the extension of markets much more than the first. For it places the burden of proof on the statists to show why markets will

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not work, rather than obliging their proponents to explain why they are suitable in the first place. Even critics of the market increasingly couch their reservations by pointing to market failure in the provision of public goods or the control of externalities, or by raising technical problems in introducing market mechanisms into the delivery of certain services, such as health care, rather than by objecting to the substantive justice of the results of market provision.

Efficiency arguments have their drawbacks, however. The disenchanted understanding of the market system promoted by the second view risks jeopardizing its legitimacy. As Irving Kristol has remarked, "in the same way as men cannot for long tolerate a sense of spiritual meaninglessness in their individual lives, so they cannot for long accept a society in which power, privilege, and property are not distributed according to some morally meaningful criteria."[1] For this reason, Hayek came close to suggesting that the popular, moralistic defense should be maintained as a "noble lie" in order to retain support for market institutions—a position that would appear to be endorsed by nearly all New Right politicians.[2] Libertarian philosophers would be wrong to regard such considerations as simply a matter of political rhetoric, however, especially when their own advocacy of certain principles as just is so intimately tied up with the claim that these principles promote efficient markets. For if it turns out that where people no longer accept their morality markets cease to be viable, then attempts to link the justice of markets simply to procedures that foster their efficient running will prove self-defeating. The moral limits of markets will mark the limits of their efficiency rather than the other way around.

Both the books under review adopt a variant of the second view, although in *Discovery, Capitalism and Distributive Justice* (Oxford: Blackwell, 1989) Israel Kirzner attempts to provide it with greater intuitive popular appeal. This essay will begin by outlining their arguments. I shall contend that, whilst cogent as criticisms of the standard, Victorian-desert-ethic version of the first sort of view (including its socialist variants), Kirzner and Shand fail in their positive efforts. However, it is possible to defend an alternative version of the first view that prioritizes autonomy rather than desert. I shall argue that this version proves compatible with both their critiques of moralistic defenses of markets and their account of

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market efficiency, and yet justifies placing markets within a more substantive moral framework that pays attention to outcomes.

The Austrians on the Efficiency and Justice of Markets

By far the most powerful arguments in favor of markets as against state planning have been offered by the Austrian school. As the useful summary of their ideas in Part I of Shand's book rightly emphasizes, the Austrian case is essentially epistemic. The basic elements of the Austrian thesis were first developed by Ludwig von Mises in the context of the socialist calculation debate of the 1920s. He argued that rational economic planning required an efficient allocation of resources and that this in turn depended upon a knowledge of prices, which provide information about the relative scarcities of capital goods. In a market of any size and complexity, these prices are determined by the innumerable interactions between buyers and sellers and are in constant flux. He believed that it would be impossible for socialist planners to solve millions of simultaneous equations in order to determine the relative value of productive resources. Such information could only be provided by a market based on private property in the means of production.

Mises's style of argument was essentially a priori and logical. Part of his case related to the putative computational complexities involved in simulating market pricing and the calculational impossibility of a planned economy. In fact, economists believe that in principle the relevant equations could be solved. However, his writings also contain the more profound suggestion that monetary prices act as necessary "aids to the human mind" that could only be generated within the context of a market exchange system based on private property. According to this view, the knowledge needed by planners would not exist in the absence of a free-market economy. Hayek and later Austrian theorists picked up on this aspect of Mises's work but gave it a somewhat different epistemological basis. Hayek pointed out that the difficulty confronting planners is not computational but practical. It relates to the problem of how one central agency could gather the huge amount of information necessary for accurate pricing, much of it concrete and contextual in nature. The capacity of the available

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machines and workforce in a given locale, for instance, is hard to represent in statistical form and is, in any case, constantly changing. Moreover, as Michael Polanyi observed, much of this knowledge is tacit, embodied in practices, dispositions, and intuitions that are unformulatable and often not fully conscious to the individuals concerned. Central planning not only cannot employ such knowledge, it would also probably destroy it in the attempt to articulate it in an explicit manner. The achievement of the market is its ability to collect and transmit this dispersed, local, and largely transient knowledge in an intelligible and undistorted manner through price signals.

G. L. S. Shackle, the dedicatee of Shand's book, took the Austrian approach further by developing the idea of subjective value that runs through much of their work in ways that bring out the temporal dimension of all economic transactions. According to Shackle, all possible alternatives present themselves first to individual minds. He argued that human choice involves individuals imagining not only alternative feasible uses of the means to hand, but also many alternative outcomes of each use. As Shand remarks, "an important corollary of this view is the belief that human events are inherently unpredictable" (26). The implications of this argument for the Austrian critique of a centrally directed economy have been brought out by James Buchanan, amongst others. Central planning involves second-guessing the future. However, the economy is an open system, subject to conceptual innovation and alterations in people's subjective expectations, on the one hand, and to unpredictable changes from social, political, and natural forces, on the other. As Buchanan points out, under these conditions the problem facing the economic planners is not just the coordination of already existing dispersed knowledge; more crucial is the even greater difficulty of drawing together knowledge that does not yet exist.

What the Austrians spotted was that expectations sum to *create* the future, so that prediction is not what markets do or planners should seek to ape (or at least, not wholly). Kirzner's contribution essentially builds on this last insight. He stresses an aspect of the market first identified by Hayek: its role as a "discovery procedure." Whereas neoclassical economics regards the achievement of the market to consist "in its ability to generate precisely that set of equilibrium prices that will inspire myriads of dovetailing deci-

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sions, each of them made with complete knowledge of all prices," the Austrian school stresses "the deep fog of ignorance that surrounds each and every decision in the market." According to the Austrians, the merit of the market resides in the way in which,

> starting at each instant of time with a background of mutual ignorance among market participants, the market process spontaneously offers the incentives and opportunities that inspire market participants continually to push back the fog of mutual ignorance. It is this fog of mutual ignorance that is to blame for the market's failure to achieve complete dovetailing of decisions; it is because the market process is continually generating insights which operate towards dispelling this fog, that markets achieve the degree of dovetailing among decisions that they do. (II)

Once again, there can be no complete body of knowledge on which central planners might draw, since this knowledge is discovered (and in part created) only through the weeding out of bad practices and products and the encouragement of good ones promoted by the competitive market.

The issue of incentives represents the point at which the Austrians' argument for the efficiency of the market meets up with their case for its justice. Given their understanding of how markets work, social justice no longer makes sense. Social justice is concerned with distributing the burdens and benefits of society according to some desirable pattern. However, the Austrians contend that market distributions neither are nor could be the product of any deliberate human agency. The unemployment and poverty which often result from market processes are not intended by either the consumers or the producers who have inadvertently brought them about, nor could they have been. They are simply the unintended consequences of millions of acts of buying and selling. As such, they are to be regarded as misfortunes rather than injustices. Similarly, the rewards of the market are also often simply the result of luck. However, any attempt to rectify this situation would almost certainly be arbitrary and itself unjust. Not only are the concepts of need and desert essentially contestable and often in conflict with each other; in the absence of an omniscient and omnipotent central agency it would be impossible to know whose need was greatest or who had, through their effort or contribution, come to deserve the most—even if the meaning of these terms were

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agreed. Moreover, the attempt to match resources to need or desert will break the link between reward and services rendered that is vital to market efficiency, as the disastrous results of the corrupt incentive structures of the planned economies of the Eastern bloc amply demonstrated.

Once again Kirzner radicalizes this thesis. He insists that we cannot even know what there is to distribute prior to its distribution. In other words, the market's role is not only that of coordinating the dispersed actions of millions of individuals acting on their own local knowledge; the process of coordination is also one of creation in which the social pie is "discovered" in the course of production and market exchange. From this perspective, there is no pre-existing pie to be sliced up and distributed. Rather, "individual incomes are earned *simultaneously* with the process through which the size and composition of the supposed 'pie' are determined" (8). To the extent that the incentive of the profit motive encourages entrepreneurial activity, the resulting distribution can be regarded as just in a far more positive sense than Hayek and earlier Austrians maintained. It is not simply a matter of no injustice having been done in obtaining it. According to Kirzner, the uncertainty that pervades the market forces the entrepreneur to discover opportunities for enterprise and profit. Of course, a certain degree of accident and good fortune, as well as flair, may be involved in this discovery. Nevertheless, he argues that on the basis of a "finders keepers" principle, entrepreneurs can be regarded as entitled to the full amount of profit that results from their discoveries. Moreover, he believes that an appeal to the "finders keepers" principle is likely to endow the market with a greater degree of popular moral legitimacy than a purely procedural theory of justice such as Hayek's or Nozick's.

The key element of the Austrian case against social justice, therefore, concerns the inseparability of the laws of distribution from the laws of production. The functional distribution of wages, for example, is linked with the marginal productivity of labor, and redistribution changes that equation. Similarly, alterations in the marginal tax structure change the pattern of expectations motivating economic agents, and hence the amount of wealth produced, and not just the pattern of given outcomes. As a result, the Austrian school rejects not just socialist planning but also market socialism—both the Taylor-Lange and the worker-management

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models. Unlike central planning, market socialism overcomes, theoretically at least, some of the epistemological objections raised by the Austrians to socialist economic systems. Although investment (and in the Taylor-Lange model the prices of production goods as well) are centrally determined, the planners use exactly the same market-generated information of surpluses and shortages deriving from consumer demand to make their decisions as individual producers employ in a free market. Even though there are doubts about how effectively they could process this information, the root difficulty does not lie here so much as in whether workers, managers, and bureaucrats within such systems would have the motivation to employ it.[3] In capitalist systems, the lure of pure profit sets in motion the entrepreneurial discovery procedure in which individuals tend to learn how to arrange resources in a more effective manner to satisfy the demands of others. Moreover, private ownership makes it less likely individuals will be constrained by others from using their own knowledge. In this way, the incentive argument reinforces the epistemic case for the market and leads the Austrians to the conclusion that private property comprises an essential precondition for the learning process of competition to be enacted.

Autonomy and the Market

The Austrian school provides a realistic and compelling account of how markets work, but one (as noted) that is to a high degree morally disenchanted compared to the Victorian model outlined earlier. Even Kirzner's thesis seems rather thin in comparison; there is a world of difference between Kirzner's entrepreneurs and Smiles's self-made captains of industry. The first person to spot and pick up a beautiful shell on the beach may be entitled to it, but it is hard to say that he is morally responsible for its being there in the first place and hence "deserves" or "merits" it in some more substantive sense.

In this section, I wish to argue that, contrary to the Austrian view, the fact that the market itself may work in an amoral (though procedurally just) manner does not prevent us from seeking to set it within a wider moral framework whereby we can judge its outcomes and demarcate its moral boundaries. Two elements are in-

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volved in my argument, both of which relate to the value of autonomy that lies at the heart of any moral endorsement of markets in themselves (as opposed to their consequences). First, the market itself draws on moral resources that it does not necessarily create and may indeed destroy. Second, many morally valuable nonmarket activities may be undermined if forced to adopt the market ethos. I shall discuss each in turn.

The Austrian school tends to extrapolate its account of justice from its understanding of how the market works. This has the effect of making an efficient market by definition just. However, this market-centric view begs the question of the justice of what John Rawls has called the basic structure of society: the background conditions and social context within which market transactions take place.[4]

The importance of these considerations becomes evident once we begin to ask what is intrinsically valuable about the market apart from its economic achievements. The Austrians' picture of the justice of the market trades on the idea that society should reflect the free choices and fair agreements of innumerable individuals over time. However, they fail to provide an adequate account of why we should find freely made choices and agreements morally attractive. Austrians have tended to justify the primacy of freedom by relying on either utilitarianism or natural rights theory, with some Austrians—represented most noticeably by Hayek—hovering uncomfortably between the two.[5]

The utilitarian response, employed most clearly by Mises, that free markets are valuable because they promote economic growth and so maximize want satisfaction and individual choice, raises a number of problems. For a start, economic growth usually erodes particular choices at the same time it expands others. Even if one accepts that the quantity of choices is probably (if not necessarily) increased for the majority by economic development, this tells us nothing about the intrinsic worth of these choices for human beings. Second, the utilitarian argument suggests that the free and fair agreements of the market could be overridden whenever that might increase social welfare—a position that really does suggest that the market is only moral insofar as it is efficient. This line of argument, for example, would provide no line of defense against considering the adverse consequences of the market, such as unemployment, as a matter of legitimate moral concern—something the

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Austrians generally wish to avoid. More importantly, utilitarianism is the planner's philosophy *par excellence*. The utilitarian contention that interpersonal utility comparisons are possible, and that all human satisfactions and goods can be regarded as commensurable, conflicts directly with the Austrians' epistemic case for the market as a mechanism that is uniquely capable of responding to the activities of diverse and widely dispersed individuals pursuing distinct and often incommensurable ends that cannot be rationally compared or coordinated by any one agency operating according to any single scale of values.[6]

More often, therefore, the Austrians claim that the justice of markets rests on their contribution to and protection of individual rights—an argument used especially by those Austrians, such as Murray Rothbard and Shand, who align themselves most strongly with the libertarian right. Once again, justice is equated with the market process. For these Austrians maintain that justice is simply a matter of respecting the negative rights of individuals not to be directly and coercively interfered with in the use of their property.

Yet what makes the absence of coercion in itself a worthwhile good? The answer, implicit in much of what Austrians write but never explicitly articulated, is surely its contribution to autonomy—the ability of the individual to be part author of his or her life.[7] The conditions making for autonomy are more than freedom narrowly defined, however, as anyone who has pondered seriously the conditions of uncoerced consent quickly realizes.[8] Once this is appreciated, the relevance of Rawls's concern with the justice of the basic structure becomes clear. The Austrian account of a just market order takes the initial distribution of resources as a historical datum that can be given no more moral foundation than any other desirable patterned state of affairs. However, once it is acknowledged that the ethical value of the market inheres in its fostering of autonomy, then such issues are unavoidable. It becomes necessary to specify a set of resources and opportunities and a capacity to employ them which individuals will need to have if they are to be able to pursue their self-chosen goals. In particular, it becomes impossible to ignore—as libertarians try to—the ways the accumulated results of many procedurally just exchanges may erode the preconditions for autonomous action for many groups of people. The down side of "finders keepers" is that "losers weepers." Whilst the need to correct entrepreneurial failure is undoubtedly as

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important to the efficient working of the market as the reward of entrepreneurial success, not all of those who suffer as a result do so as a consequence of their own freely chosen actions or inaction. The Austrian reliance on libertarian claims of individual rights, therefore, violates the argument from autonomy that must undergird them in the first place.

Libertarians raise three standard objections to such observations. First, they contend that it is impossible to provide an objective assessment of when the preconditions for autonomy have been met, so that spending on welfare is infinitely elastic. But exactly the same objection can be made against the libertarians' more narrow understanding of autonomy: what counts as coercion according to this understanding is similarly contestable, and the measures that might be taken to secure its absence just as prone to inflation. One can spend as much on police forces as on hospitals.

Second, libertarians maintain, as noted above, that because the effects of market outcomes for any particular individual can be neither intended nor foreseen, the inequalities resulting from the free operation of the market cannot be regarded as unjust. However, whilst this might be true for specific individuals, it is perfectly foreseeable that some groups are prone to lose out. In addition, random individuals apart, it is also predictable that those who start with the least resources will tend to end up with least. When such likely consequences are known in advance, it is not necessary for us to have been causally or intentionally instrumental in their occurring for us to have a moral responsibility to rectify them. As J. S. Mill famously argued in *On Liberty*, a failure to act can be as much of a hindrance to individual liberty as positive action.

Finally, such rectification need not involve the arbitrary and continuous interference in market processes by the megalomaniacal social and economic engineers conjured up by Hayek and his followers. Rather, social justice can simply involve the provision of a stable and constant framework within which individuals can freely order their lives. For it is possible to frame the rules governing the background conditions in universalizable and general terms that apply equally to all, and to separate these rules from those that govern the transactions between individuals and associations. It is worth noting that there is a growing body of evidence to suggest that markets work best when such structures are in place.[9] They create the confidence needed to engage in entrepreneurial activity

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and create bonds of trust that discourage free riding and other attempts to undermine the rules of market competition.

Not all Austrians have been totally unconcerned with this issue. However, they have tended to argue that these supportive structures themselves spontaneously evolve in much the same way as the market itself. This thesis, however, allows that the mixed-economy welfare states that emerged after the Second World War can themselves be regarded as spontaneous responses to various forms of market failure. Moreover, it is a singularly optimistic view that ignores the ways in which markets can spontaneously undermine their own moral foundations.

The Spread of Self-Interest

The argument from autonomy links up in this respect with the potentially pernicious impact of markets on nonmarket areas of social life. As we saw, a major part of the Austrian critique of state provision stems from the claim that there is no single criterion by which goods could be allocated. The market is praised for being an impersonal and morally neutral mechanism that allows individuals to define their own good in their own way. However, the proposition that there are a number of distinct and incommensurable kinds of good can also be used to set moral boundaries to the extension of the market on the grounds that market distributions may not always be suitable to the goods in question.

This argument has been articulated most forcefully by Michael Walzer in *Spheres of Justice*. Walzer argues that goods cannot be taken as givens that can be distributed according to certain universal criteria. For goods are conceived and created before they are distributed, with the result that they come into people's hands laden with value as to what they are and what they are for. Consequently, different goods in different contexts will generate different distributive criteria.[10] When bread represents the body of Christ it will need to be regarded somewhat differently than when it represents the staff of life, for example. Walzer contends that the market fails to respect the plurality of goods because it treats them all as being commensurable with each other and capable of conversion into money. Rather than being a neutral medium, as supporters of the market often claim, money "is in practice a dominant good,"

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one "that is monopolized by people who possess a special talent for bargaining and trading." Walzer believes that there is a danger within capitalist societies of "market imperialism," the dominance over all other distributive spheres by the power of money. Indeed, he goes so far as to state that "a radically laissez-faire economy would be like a totalitarian state" in this respect, transforming every social good into a commodity.[11]

Walzer's analysis is arguably a little crude, but the underlying worry of his thesis is, I believe, important and highly relevant to the theme of the moral boundaries of markets.[12] The crudeness lies in making the comodification of goods his main target. True, it seems perverse to think that certain goods are obtainable for money—as the Beatles memorably put it, "money can't buy you love," although it may purchase sex. However, human beings cannot live on love alone, and even the most collective and nonmonetary organizations, such as families, will need to reflect the restrictions of limited resources in budgetary terms when identifying their priorities. The problem of market imperialism lies not so much in the extension of the sphere of money and commodities, inappropriate though this sometimes is in certain limited areas, as in the dominance of the market ethos. The two issues are often conflated by supporters and critics of the market alike, but one can clearly acknowledge the need for budgets without believing that they must or should always be set in a market manner.

The extension of the market ethos to all areas of public life in the name of financial accountability has formed a dominant theme of British politics over the last decade and is championed by Shand in Part IV of his book. The basic rationale for this policy stems from the assertion of the public-choice school that civil servants, doctors, academics, and other members of the professions are, like everyone else, essentially motivated by the desire for personal financial and status advancement. From this perspective, professional ethics simply serve as a cover whereby the apparatus of the welfare state has come to be organized for the benefit of those who provide and control its services, rather than for the taxpayers who finance and occasionally consume them. Bureaucratic control, no matter how worthy the code of practice and norms that are said to inform it, always distorts the incentive structure by entrenching the power of the self-serving apparatchiks who manage the administration. Public services must therefore either be returned to the

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private sector or, where this seems either politically or economically inexpedient, turned into internal markets, as in proposals for student vouchers and in the recent British Health Service reforms.

Recent empirical studies contest the assumption of the dominance of self-interest behind these extensions of the market ethos.[13] If, however, it is wrong to assume that *Homo economicus* operates in each and every sphere of social life, then there may well be good grounds for regarding the growing domination of market norms as not only misconceived but morally illegitimate. The reasons for this moral illegitimacy can be seen by returning to Walzer's account of the embeddedness of goods in specific social and cultural contexts or practices.[14] According to this thesis, the criteria we use to judge individual actions and the way we conceive the goods to be distributed are intrinsic to the practice concerned. The commonest analogy is with games, where success and enjoyment in participating in the activity can only follow from adopting a point of view that is internal to the game. Of course, external goods and especially financial rewards may play a part in people's involvement in a given practice, especially if that is how they earn their living, but the pursuit of these rewards must not come to dominate if the practice is not to be destroyed. Rather, they must only be allocated according to criteria defined by the practice itself.

When people complain about the imperialism of the market it is almost always with reference to this kind of distortion of the incentive structure of certain practices. Those who bemoan the commercialization of sport, for example, tend to do so not because they necessarily object to tennis or football players being paid astronomical sums of money per se, but because they believe that the pursuit of these rewards has often led to illegitimate interference with the rules of the game, as when extra rest periods get added to make room for commercial breaks on television or rules changes are made to secure greater "entertainment" value. Similarly, and more importantly, those who worry about the introduction of the market into the provision of certain public services, such as health and education, do so not because they spurn value for money or accountability in the delivery of these goods, but because they fear that the market ethos will destroy the internal connection between standards of performance and the type of good being delivered by focusing the attention of service providers on the acquisition of the external good of money. In other words, contrary to the public

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choice school, they argue that the market will introduce precisely those forms of corruption it was intended to remove.

Such corruption occurs, in part, because consumer preferences may be both misinformed about a practice or at odds with it, and in part because, as a result, success in acquiring external goods need not dovetail neatly with the provision of internal goods. Of course, supporters of the market generally argue that the consequent alterations of practices and the goods they deliver should be considered highly desirable and a reflection of consumer choice. However, there are two prime objections to this move, both of which relate to our earlier considerations of the autonomous chooser. First, autonomy assumes the existence of a range of worthwhile options from which individuals can choose, embodying different aspects of human flourishing. A commitment to the fostering of autonomy, therefore, will necessarily involve the protection of a wide range of cultural and other goods and practices irrespective of how many individuals at any given time express a preference for participating in them. Second, and relatedly, one does not come into the world possessing autonomy, nor do people autonomously develop it. It is in large part a cultural and conditioned capacity, acquired through education and other forms of socialization. Once again, the practices that define and cultivate this capacity may well need protection from market choices which fail to differentiate between autonomous and nonautonomous preferences.

For both these reasons, the protection of moral pluralism can be regarded as part of the basic framework or background structure within which the market works. Indeed, there are grounds for regarding a number of putatively market institutions as part of this basic structure. Such would appear to be the rationale for the neocorporatist policies of such capitalist economies as Austria, Germany, and Japan, where the internal relations of companies are protected from the market ethos advocated by Anglo-American free marketeers, and greater attention is paid to securing investment in long-term research and development rather than short-term profits for shareholders. Moreover, the recognition that certain institutions and goods can generate valuable but nonmarket incentive structures suggests that the motivational problem associated with socialism may not be as intractable as is sometimes claimed. A public service ethos may not be a viable alternative to the market ethos, but advocates of both the mixed economy and

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market socialism may be correct to suggest that the first ethos forms a necessary and workable complement to the second.

The books under review both give accounts of morality and justice that are internal to their understanding of the nature of markets. The argument presented here has been that such internal perspectives overlook the wider moral framework within which markets operate and which provides the conditions for the autonomous agency characteristic of the producer, the entrepreneur, and the well-informed consumer. This is not to suggest that there will always be a perfect fit between markets and morality. Part of the argument concerning moral pluralism suggests that there may well be forms of activity antithetical to the market ethos that are nevertheless worth maintaining for their own sake. Furthermore, there are moral grounds for taking responsibility for the victims of market failure (and market success). Here the legitimacy of markets turns on recognizing their limits. An important element both of the market's moral appeal and of its functioning, at least according to the Austrian view, resides in its contribution to the substantive goal of autonomy, but this is not fully accounted for by a purely procedural view of justice.

NOTES

1. Irving Kristol, " 'When Virtue Loses All Her Loveliness': Some Reflections on Capitalism and 'The Free Society,' " *The Public Interest* 21 (Fall, 1970): 8.
2. F. A. Hayek, *Law, Legislation and Liberty: The Mirage of Social Justice* (London: Routledge, 1976), 73–74.
3. See Allen Buchanan, *Ethics, Efficiency and the Market* (Totowa, N.J.: Rowman and Littlefield, 1988), 111–14.
4. See John Rawls, *Political Liberalism* (New York: Columbia University Press, 1993), Lecture VII.
5. This tension within Hayek's work forms the main theme of Chandran Kukathas's *Hayek and Modern Liberalism* (Oxford: Clarendon Press, 1989). As H.L.A. Hart noted, the same tension runs through most recent political philosophy. See his "Between Utility and Rights," in Alan Ryan, ed., *The Idea of Freedom* (Oxford: Oxford University Press, 1979).
6. It is sometimes argued that indirect utilitarianism avoids these difficulties. For a detailed argument that it does not, see John Gray (who attributes this thesis to Hayek), "Hayek on Liberty, Rights and Justice," in his *Liberalisms: Essays in Political Philosophy* (New York: Routledge, 1989), ch. 6.
7. This element of the Austrian case is well brought out by John Gray in *The Moral Foundations of Market Institutions* (London: IEA Health and Welfare

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Unit, Choice in Welfare No. 10, 1992), ch. 3, whose general thesis I am largely developing in this article.

8. See Onora O'Neill's marvelous "Between Consenting Adults," *Philosophy and Public Affairs* 14 (Summer 1985): 252–77.
9. See Michel Albert, *Capitalisme contre capitalism* (Paris: Editions du Seuil, 1991). Gray, *Moral Foundations*, ch. 7 defends the German notion of the social market economy on these grounds.
10. Michael Walzer, *Spheres of Justice: A Defence of Pluralism and Equality* (Oxford: Martin Robertson, 1983), ch 1.
11. Ibid., 21–22; 119–20.
12. I owe the refinement of Walzer's thesis and much of the argument that follows to Russell Keat, "The Moral Boundaries of the Market," in Colin Crouch and David Marquand, eds., *Ethics and Markets* (Oxford: Blackwell, 1993), 6–20.
13. See Leif Lewin, *Self-Interest and Public Interest in Western Politics* (Oxford: Oxford University Press, 1991), for a detailed empirical assessment of the public choice account of democratic politics, which reveals citizens, politicians, and bureaucrats to be motivated by far broader considerations of the long-term common good than the theory allows.
14. See Keat, 16–20.

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Daniel A. Dombrowski

THE POLITICS OF ETHOLOGY

While the academic discussion of gender and family issues often adopts the contractarian and consensual approach of liberalism, the work of Stephen R. L. Clark provides an interesting contrast. Clark turns to ethology as a guide to modes of social existence congruent with our evolutionary nature. Although an Aristotelian, Clark is not a sexist in arguing that household life is more important than what moderns call "political" life. Clark is premature, however, in accusing liberals who defend the rights of individuals of ignoring the ethological evidence. Liberals need not so emphasize the individual that they destroy the family as the locus of moral education.

The work of Stephen R. L. Clark presents a controversial contrast to the individualistic approaches of liberals to gender and family issues. Clark uses ethology as a guide to discern the options available to human beings in our search for satisfying ways of living.

Clark is an Aristotelian, but he is not, like Aristotle, a sexist—or so he contends. Aristotle thinks the gap between male and female is not merely a cultural datum but a biological one. While women, in contrast to slaves and children, are capable of *eudaemonia*, in Aristotle's view women are incapable of sharing in the sort of theoretic *eudaemonia* found in political life and in the space where men phi-

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losophize. Their attenuated *eudaemonia* derives from the nature of household life.

By contrast, Clark thinks that household life is more important than what moderns call "political" life. He rests this view on ethology. While he admits that we know too little to run a straight line from apes to humans, so that ethology should be used primarily to pose the options to us, we do know some things about mammals in particular that should give us pause before exorcizing biology altogether when considering gender issues.[1]

In mammalian species the problem is not the female but the male:

> Popular ethology still tends to represent males as the really significant individuals, the leaders and the masters. More careful study suggests otherwise. The relationship of male to female is not of mastery. We misperceive a lion if we think he has a harem; contrariwise, the stable pride of lionesses adopts one or two lions for short periods. Male cubs are evicted early . . . and must find their own way back into the pride, where they are "kept males" until replaced. . . . In social primate species the general pattern is that males are flung out to the rim of the group, from which a few may eventually return.[2]

What to do with the males? Politics (and the theoretical life) is in Clark's view an effort by the male cohort, isolated from female lineage, to provide its members with a sense of belonging:

> Man is a political animal, but need not devote himself to male politics: he might rather seek to participate in the child-rearing, food-gathering, society-maintaining activities of the women. Hierarchical politics, dominance routines, insistence on territorial position are games that male-oriented males play. . . . It might . . . be worth considering that the form of civil life to which women have been confined contains a truer and better sociality, to which males may also hope to be admitted. . . . The point is . . . that dominance relationships of the kind embodied either in patriarchal or matriarchal culture can be seen as peripheral to the central concerns of human society. . . . A new Aristotelianism, taking account of modern ethological knowledge, can find the human, fully human, in both male and female kinds. One error would be to seek a return to patriarchalist ways; another to encourage women to take higher places in society defined solely by the purposes of the male cohort.[3]

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Clark's view seems to be an improved Aristotelianism whereby *someone* must deal with those aspects of life that Aristotle labels "male" and "female," even if men and women respectively are not expected to perform them.[4] There is no reason to assume that human beings "naturally" establish patriarchal families. The two biological relationships which no society can entirely escape if it wants to continue and flourish are sexual intercourse and parenthood (traditionally motherhood), whereas all other contact between males and females is variable. But despite the fact that the relations between males and females as lovers, and between both as parents and children are rooted in biology, these relations are overlaid with social concepts. Parentage, in particular, is a social concept more than a biological one; even a brother or sister can raise a child.[5]

We have come to think of political community emerging from, or imposed on, families or similar associations, such as clans. In fact, we have come to think of the state being composed of individuals. Clark does not share these beliefs. He thinks that philosophers should spend more time considering those middle-sized communities within which we chiefly live, especially families. One problem with seeing the origin of the state in an implied contract among rational individuals is that, by this account, children and other noncontracting members of the family (the senile, the retarded, pets, and, traditionally, almost all women) are not properly parts of the community. Manifestly there are forms of social life between the supposedly self-sufficient individual and the state that have largely been ignored or misunderstood by philosophers.[6] Against some "traditionalists" (who tend to see human beings as discontinuous with animals), Clark is not ashamed of the fact that human beings share with animals the characteristics of living in familial groups and the enchantments of sexuality.

Ethology and Gender

Clark is well aware that the way he uses ethology in his treatment of gender issues will be controversial. Merely to cite the following fact, as Clark does, arouses suspicion:

> The mating arrangements of mammals vary, but practically all mammals share one feature: the females are the primary parents, and

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> the mother-child bond is the primary bond. Solitary mammals, such as hamsters or lemurs or (at least in our society) cats, mate without permanent attachment and leave all parenting to the mother.[7]

Thus, in almost all mammals, the problem is what to do with the males. Consider, once again, lions:

> All male cubs are driven out, and either live solitary or stay loyal to their brothers till they are old enough to drive an old male from his haven in a pride and take his place, for a year or two, till they in their turn are driven out. . . . Human females are unusual in being "permanently receptive to sexual advance", not merely at a monthly oestrus or at rutting time. One explanation has been that this is how they trap the males into staying with them to care for their young. It is unclear why it is assumed so quickly that males, if given half a chance, would hurry off. . . . Suppose that males very much want to be part of the continuing family group, but are thrown out into the world. How shall they get back again?. . . . There need be no denial that this form of life has persisted in the human species, that many males (perforce, or by choice) have made a life among males. But there has always been this other option of finding one's way back into a family.[8]

There is nothing in nature to justify the notion that women are monogamous whereas men are polygamous, although some human males may well have more offspring than they should if they do not have to occupy themselves with child-rearing. That they *should* occupy themselves with offspring is precisely Clark's point.

Both sex and chastity can be considered natural *if* what is meant by chastity is the disposition not to be perverse, not to waste sexual energy on practices which threaten the community. Males need not be deserters or possessors. This is the possibility, even the likely possibility, made apparent through a study of ethology. Patriarchy is also a possibility, but not one that is firmly rooted in our primate and mammalian heritage. Nor is it firmly rooted in nature that only parents care for children. Ostriches lay eggs in other ostriches' nests: Nor is monogamy the rule in nature generally, or in mammals, in particular. We grow out of a background of caring groups or extended families rather than nuclear families.[9]

There is something defective, according to Clark, about the assumption that when males are incorporated into the family group as adults it is in order to obtain sexual satisfaction. Perhaps what is

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at issue is their desire to become "mothers," that is, parents. It must be admitted that males would not be good parents if there is some biological basis for the tension created when children are seen as rivals for the wife's affection, but there is no necessary conflict here.[10] In any event, although patterns of sexual and parental behavior are not innate in either apes or human beings, these patterns may be readily acquired because of genetic predisposition. Thus, for example, it is natural both for parents to care for their children and eventually to have this bond severed:

> The unspoken belief that mothers are somehow naturally equipped to dedicate themselves whole-heartedly to the care and nurture of small, demanding animals has been a prolific source of ill; if mother-love comes automatically, and is infinite, then mothers can do it all themselves, and if they can't, it must be that they are unwomanly. If we can remember that we are animals, though versatile and culturally creative, we can step a little closer to human society. We are evolved to live in relatively open groups . . . . Ethological analysis of the human animal does not lead to a defence of modern Western marriage. If anything can be concluded from all this it must be that the (relatively) open group is where we are meant to be.[11]

Total celibacy would be a cul-de-sac. So the task for humanity is to arrange families such that "surplus" males can be productive domestic partners. The key to achieving this goal is to recognize that human beings did not evolve as anonymous individuals or as an amorphous herd, but in various familial groups with men and women and children and animals together.[12]

The ethological evidence regarding these familial groups has implications for the marriage relationship. Clark's goal in emphasizing the pliability of the marriage relationship is a mean between liberals, who tend to assume that any agreement between consenting adults is appropriate in this regard, and traditionalists, who tend to identify the family with its bourgeois, patriarchal variety. Clark is willing to consider the legitimacy of group marriages, on the analogy of certain primate relationships which consist "of three or more partners, each of whom considers him/herself to be married or committed in a functionally analogous way to more than one of the other partners."[13] Clark cities the following example to approximate what he has in mind:

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> Any network of baby-care, child-care, mutual assistance and shared endeavor may well generate special relationships of affection and commitment between the participants . . . . The almost inevitable sexual interest which such friends may begin to feel for each other is deflated, sublimated, relegated to fantasy.[14]

Clark is quick to point out that members of group marriages can be as moralistic about infidelity as any monogamist. He argues that as the nuclear family disintegrates, and as an increasing number of single parents, usually women, raise children in isolation from other adults, it would be wise to create more solid structures to care for the young as well as for the old and the lonely. In effect, Clark is suggesting that if the patriarchal bourgeois family is on the wane, we need not assume that self-reliant individualism is our only recourse.[15]

Clark's alternative in no way trivializes the sexual intimacy that might occur among the different parties in a group marriage. (Nor is he offering a carte blanche for an orgy.) The distant ancestor of such relationships may well be the system of mutual grooming and cuddling that cements a primate horde.[16] The emotional intensity of monogamous relationships would not be diminished by the fact that they were multilateral. What *would* be lost is the sense that one is totally alone with one's sexual partner, even in the imagination. But Clark reminds us that our predecessors were never wholly private in the act, believing God or some angel to be present.

There is nothing startlingly good about the success rate of monogamy, as indicated by the long history of adultery. Honesty might be more easily maintained in the type of marriage Clark has in mind, and honesty would make such relationships indeed marriages rather than clubs formed by self-interested individuals. But here I am not so much concerned with the moral implications of group marriages as with their ethological basis. At most, some animals are monogamous; the dominant pattern among primates, at least regarding the arduous task of parenting, is the clan or group marriage, as Clark emphasizes in the following key passage:

> It may be that, as it were, nature never "meant" us to live as couples (still less as patriarchal couples), that for us, as for other primates, it is the small groups, of both sexes, many ages, that is our proper home . . . . But as marriages continue to break down under strains imposed by a rapidly changing society, a rapidly changing view of

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> what women in particular should be prepared to put up with, the group marriage, considered as an attempt to provide support for mothers, and a chance for males too to practice parenting, should be taken seriously. The group marriage, in short, may be considered not as a decadent attempt to provide sexual variety, but as a realistic proposal to help with the problems faced by parents and children in a changing world.[17]

It may be that those of us who continue to maintain nuclear families could learn something about not only parenting but eros both from gibbons and from human group marriages. Some people are content to reserve themselves for one partner, but some are never content with such sexual exclusivity.

Ethology and Politics

In Clark's ethologized Aristotelianism, our primary moral loyalties are to our children, our families, and our domestic companions, rather than to a rationally intuited "Humanity." This is why children and other dependents are the ones most protected by law in almost every human community.[18]

While Clark's Aristotelianism does not necessarily include the belief that there is something particularly rational in males and something particularly passionate in females, he claims that we are in no position to know from experience how male and female children would grow up in an ideal environment, where socially determined gender roles were not at work. If I understand him correctly, Clark is leaving open the possibility that Aristotle is correct about rational males and passionate females, since it is unlikely that there is a transcendental, ungendered self. In any event, Clark chides liberal feminists who are also agnostics: it is odd, he thinks, that the "revolt against nature" is welcomed by people who think that they are just biological organisms.[19]

The feminist revolt against nature includes technological interference in the reproductive process—interference which serves the interest of women only on the surface, in Clark's view: women have often served as ill-informed experimental subjects in the development of such technology. "Real feminism" starts within families. When this view is joined with Clark's critique of the supposed "careless and unfettered freedom" entailed in individualism, one

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gets the impression that he is opposed to women trying to achieve for themselves the sort of freedom usually associated with the "flattering self-portrait of the rich, adolescent human male."[20]

> If there are to be free and independent individuals happily about their self-chosen business, it is necessary that someone look after those same individuals before they are free and independent. . . . The assumption is readily made that there will be someone whose nature and satisfaction it is to care for children, facilitate the wild adventures of the individualist . . . even though the dominant rhetoric of liberal individualism suggests that all such care and duty is a burden on the free spirit such that no one of a proud temper could be bound to it. . . . Human society is not, except in the most outlandish circumstances, an accidental crowd of unfamiliar and competing individuals. . . . As Aristotle said (*Politics* I, 1252a), we are the sort of animal that forms couples and family groupings, that makes friends, and is faced by duties not of our own contrivance.[21]

One wonders, however, if it is fair of Clark to claim that the individual autonomy defended by liberalism is equivalent to the unfettered life of the rich, male adolescent, or to saddle liberalism with the assumption that true freedom consists in being liberated from all obligations. Both Kant's and Mill's versions of liberalism not only postulate, but *emphasize*, our obligations to others.

According to Clark, *adolescents* understandably want the freedom promised by liberalism because if one's elders are not shining examples, then virtue can seem to be no more than the crushing weight of convention. Maturity, Clark seems to be saying, means learning that freedom is the recognition of necessity, the finding out of what one should do. It must be admitted that this is one sort of freedom, but it is doubtful if it is the only sort. There is also the need for at least some freedom from external constraint, including what are normally called civil liberties—precisely the liberties Clark trivializes as adolescent. Nonetheless, Clark may well be correct that if families are among the real building blocks of society, then political life is not entirely a matter of voluntarily contracting strangers.

Clark's Aristotelianism connects to his ethology in that the basis for involuntary familial ties lies in the common form of primate society: a group of females with their young existing in some delicate relationship with a throng of males.[22] Relying on Epictetus,

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he asks the following question: How could we be social creatures at all if affection for our children were not natural? Even hardened criminals denigrate child-abusers, such that from a practical point of view children have more rights (in the sense of laying more duties on the rest of us) than rational contract-signers.

Clark suggests that there may still be something to be learned from Wordsworth's dictum that heaven lies about us in our infancy, and that we should retain our capacity for play as if in a familial context, as do the great poets and scientists.[23] One of the continually interesting features of Clark's thought is the unique blend of this kind of romantic free-thinking, on the one hand, and his tight-lipped defense of tradition, on the other. He is well aware of the fact that some will say the former is a ruse in service of the latter. By extolling the virtues of the family Clark runs the risk of seeming to defend the woman's traditional role of wife and mother, especially since the mainstream churches Clark admires are now the chief proponents of that role. But because Clark is extolling the virtues of a non-monogamous family, the notion that he would reassert a woman's traditional role is not too credible.

Indeed, Clark claims that he is opposed to the "male-invented aspects of ancient misogyny" which are with us still. However, he also worries that the charge of sexism is thrown around a bit too loosely these days, such that to be accused of it is a bit like being accused in the seventeenth century of witchcraft. His strongest defense against the charge of implicit sexism is to place his views regarding gender issues within his critique of Enlightenment political ideals, or at least of what have come to be seen as Englightenment political ideals. (Locke, for example, never denied the existence of prepolitical families, but this aspect of Locke's thought is not what has made him famous.) Against this sort of ideal, Clark writes:

> The pre-political life of human society, the network of families, babysitting circles, residents' associations, parents' associations, children's gangs, church guilds, business and informal friendships, colleges and choirs and grocers' shops and pubs, is the most important part of human society. It is this network of "voluntary" associations . . . which continues to provide us all with a sense of who and what we are. This pre-political level, in almost all its sects, is structured and maintained by women and by children. . . . It matters less that

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> women should join the "ruling classes" than that men and women together should learn that friendship matters more than rank or symbol. . . . The "natural base" of human existence, it is true, is elastic, or better, it is like a system of elastic nets: When the nets of which we are elements are highly congruent, so that the very same people are related to us in many different ways, our self-concept is relatively rigid. When the nets are more diverse . . . our self-concept is itself at once more confused and likely to be more "individualistic." . . . Because this network constantly reforms, all assertions that we live in a radically desacralized world are found to be exaggerated: order is not lost.[24]

That is, social life is not primarily political; a community is or should be more like an association of clubs and families than a state. States and governments may be replaced, but despite political changes, families, friends, and clubs continue to exist.

The prime political contribution of Clark's feminism consists in his emphasis on feminine, middle-sized communities, preeminently families, that lie between the individual and the state. He is correct in claiming that men need not be possessors or deserters and that patriarchy is but one possibility, and not one that has strong ethological roots. Motherly love does have strong ethological roots, but to overemphasize it is, perhaps, to encourage males to desert the family. Regarding the family, Clark sees several possibilities, including group marriage. But his overall goal is to find a mean between liberal consensualism, which would permit almost all "family" arrangements, even if they were not conducive to the nurturing of children, and the traditionalist fetish for the bourgeois family. Caring for children is itself perfectly natural, but this care does not have to occur in what we have come to think of as the traditional family.

It seems premature, however, for Clark to accuse liberals of ignoring the ethological evidence. That is, liberals need not think that they are freed from social obligation, nor do they need to so emphasize the individual that they destroy the family as the locus of moral education. What the liberal *is* committed to is the claim that if family or ethnic or patriotic partiality conflict with the demands of impartial, rationally justified obligation, then the former should give way to the latter.[25] One can emphasize the family too little, as Clark notices, but also too much.

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NOTES

1. Stephen R. L. Clark, *A Parliament of Souls* (Oxford: Clarendon Press, 1990), 128. Also see Paul Schollmeier, "Equine Virtue," *Between the Species* 8 (1992): 38–43.
2. Stephen R. L. Clark, "Aristotle's Woman," *History of Political Thought* 3 (1982): 190; also see 177–88.
3. Ibid., 191.
4. Stephen R. L. Clark, *Aristotle's Man* (Oxford: Clarendon Press, 1975), 206–11.
5. Stephen R. L. Clark, *The Mysteries of Religion* (Oxford: Basil Blackwell, 1986), 180–82, 185.
6. Stephen R. L. Clark, "Sexual Ontology and Group Marriage," *Philosophy* 58 (1983): 215–16.
7. Stephen R. L. Clark, *The Nature of the Beast* (Oxford: Oxford University Press, 1982), 74. Gibbons, it is true, have a monogamous system, and among wolves, only the dominant pair breeds.
8. Ibid., 74–75.
9. Ibid., 76–81.
10. Ibid., 83–86.
11. Ibid., 87.
12. Ibid., 99, 112.
13. Clark, "Sexual Ontology and Group Marriage," 217.
14. Ibid., 218. This is a cautious example on Clark's part, in that if the sexual interest is sublimated there really is not group *marriage.*
15. Ibid., 219–20.
16. Ibid., 222–23.
17. Ibid., 226. It is not the case, as Mary-Catharine Geach alleges, that Clark's concept of group marriage refers to a "wife-sharing club." See her review of *The Nature of the Beast* in *Philosophy* 59 (1984): 275–76.
18. Stephen R. L. Clark, "Utility, Rights, and the Domestic Virtues," *Between the Species* 4 (1988): 242.
19. Stephen R. L. Clark, *Civil Peace and Sacred Order* (Oxford: Clarendon Press, 1989), 46–49.
20. Ibid., 50.
21. Ibid., 52–53.
22. Ibid., 54–56.
23. Ibid., 59–60. Clark is not so much arguing here that living in accordance with nature will bring us joy, as he is saying that by retaining our capacity for play as if in a familial context we will be more likely to avoid the hegemony of current practices, deracinated as they are.
24. Ibid., 67–69.
25. See my "On Why Patriotism Is Not a Virtue," *The International Journal of Applied Philosophy* 7 (1992): 1–4.

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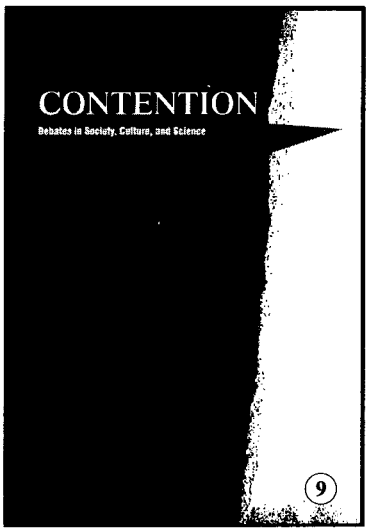

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Warren Shibles

HUMANISTIC ART

The cognitive theory of emotion (also called the rational-emotive theory) clarifies the notion of aesthetic emotion and evaluation, and when combined with Dewey's humanism and a naturalistic theory of valuation provides a basis for a holistic theory of aesthetics. From the holistic perspective, no act is moral unless it is also aesthetic. On this view, the aesthetic is no longer reduced to atomistic or quantitative perspectives, but becomes a part of our total purposive life experience. It expresses itself in gentleness and joie de vivre.

"Emotion" and its synonyms are crucial terms in the literature on aesthetics, yet they are used without grounding on a solid, if any, theory of emotion. The rational-emotive or cognitive theory of emotion, now becoming the dominant view of emotion in philosophical and therapeutic literature, can be used to provide such a basis and to show that virtually all cognitions involve emotion.

On this basis one can deduce a number of consequences for aesthetics: that "aesthetic" is the name of an emotion; that aesthetic emotion functions like aesthetic value; that aesthetic value is not intrinsic; that there is no aesthetic value as such; that, in opposition to what is called "formalism," we cannot see beauty; that "Music is aesthetic" is a circular statement; that aesthetic value must be a positive value; that aesthetic value may have any object; that art is

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not always aesthetically valuable; that aesthetic value is subject to rational inquiry; that aesthetic value may apply to each part of the aesthetic process; etc.

In "formalist" views of art, such as that held by Eduard Hanslick, we concern ourselves with the art object as a thing in itself, separate from any emotions or other possible contexts.[1] In the "art as expression" theory, by contrast, art is related to the emotions. Yet the latter perspective is narrow in the sense that it fails to relate aesthetics to all of one's cognitions, perceptions, and contexts. From a more holistic perspective, the moral and the aesthetic become identical.

The Cognitive Theory of Emotion and Aesthetics

In philosophical literature the cognitive theory of emotion is prevalent. Rational-Emotive therapists also agree with this theory.[2] According to the cognitive theory, emotion is a cognition which causes a feeling, while in ordinary language, "emotion" and emotion words refer to either cognitions or feelings.

On the cognitive theory, a number of characteristics of aesthetic emotion may be deduced from the fact that it is an emotion:

1. *Aesthetic emotion is not solely a bodily feeling or a sensation.* Therefore, it is always misleading to say, "I feel x," where x is an emotion. It is more descriptive to say, "I think-feel x." If emotion were a feeling it would not be intelligible. Shame is not like having a pain, love is not like a headache. As one author put it, "There is no simple or single feeling one has such that feeling anger consists in having it and nothing else. Anger . . . cannot be an internal feeling or state conceptually unrelated to the functions of intelligence.[3]

Beauty in music is not, then, merely a bodily sensation or feeling. "I felt a pain" is not like "I felt the melancholy of the music." Melancholy combines a value assessment with a bodily feeling and so is an emotion. In this respect, it is not proper to say, "I hear music," but better, "I think-hear music." The words "listen" and "attend" carry some of this advantage over the word "hearing." "It sounds wrong," suggests a purely sensual discrimination, and is better rendered as feeling ("sounds") plus cognition ("wrong"). Pure perception is a fiction; pure feeling, a myth. The eye and ear

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are not innocent. Feeling and perception do not have epistemological primacy. As Ludwig Wittgenstein argued, language does.[4]

It is also from ordinary-language philosophy that the notion of "seeing-as" derives. Seeing involves seeing things *as* something. Accordingly, John Dewey states that emotion is not isolated from feeling and perception, but permeates them, that "perception replaces bare recognition."[5] We see *that* something is the case, see *what* people do, see *how* something looks, see *colors*, and so on. We say the water looks wet, where "wet" is a felt, not a seen quality. Color and pitch are *high* or *low*. Norwood Hanson elaborates the notion of "seeing-as":[6] "We usually see through spectacles-made of our past experience, our knowledge, and tinted and mottled by the logical forms of our special languages and notations. Unless there were a linguistic component to seeing, nothing that we saw, observed, witnessed, etc. would have the slightest relevance to our knowledge, scientific or otherwise."[7]

On this view, pure seeing is as unreal an abstraction as is speculation about what seeing is like for animals or insects. For human beings, cognition is already built into perception. Do we see "green strokes," or "grass"? In Hanson's words, "A visual sensation of a brilliant yellow-white disc is not itself a seeing of the sun."[8]

2. Aesthetic emotion is a cognition which causes feeling. Cognition refers to nonmentalistic assessments, ideas, reasons, or beliefs. These reduce to statements, self-talk, utterances, and language use. Thus, there is no opposition between reason and emotion. "Rational aesthetic emotion" is not a contradiction. Aesthetic emotion can be rational or irrational. By contrast, aesthetic formalists reduce aesthetic emotion to aesthetic feeling, supposedly allowing the emotions and perceptions of music to be restricted to and immediately based on the music itself.

3. Aesthetic emotion can be radically created or changed by changing one's cognitions. Aesthetic emotion is not passive in the way that feelings are. Aesthetic emotion may seem to be immediate, direct, and spontaneous, but is rather based on present and past assessments. "The music no longer appeals to me" is not the change of a mere feeling, but of one's assessments. That we tire of certain music after a time indicates that aesthetic emotion is an active process. Wittgenstein wrote, "In aesthetic matters we often say, 'You have to see it like this.'"[9]

4. Aesthetic emotion can, to some degree, be changed by changing feelings,

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for example, closer attention or being rested or relaxed.) Because aesthetic emotion is a cognition causing feeling, and this is what is meant by an emotion, there is no unfeeling emotion.

5. Aesthetic emotion is based on positive value cognitions. By definition, noise and what is ugly cannot be aesthetic. As music, music cannot be bad, only more or less enjoyable. As art (a positive value term), tragedies are not tragic, requiems are not solemn, and dirges are not sad. A funeral march can be enjoyed.

6. We can never have the same emotion twice. There is no aesthetic emotion as such. For each aesthetic emotion there is a different cognition and different feeling. Repetition of fixed ideas can, however, produce a similar aesthetic emotion. Thus, for example, vengefulness is produced by the constant repetition of the assessment, "I'll get back at you." Aesthetic emotions at different times can be distinguished by their different cognitions, including cognitions of different musical forms. The production of identical aesthetic emotion by the identical sounds seems impossible.

7. The release theory of aesthetic emotion is incorrect. Art is often seen as the venting of pent-up emotion, or catharsis. But emotions are not mentalistic inner states or entities which, like steam, can be vented. If aesthetic emotion is to change, cognition must change. Basically, a change of cognition takes the place of release.

8. Aesthetic emotion is caused by oneself, not by objects or by others. We cause our emotions by our value judgments. Only we can produce aesthetic emotion in ourselves. Objects, such as sounds, cannot themselves produce aesthetic emotion in us. Sounds, in themselves, are neither good nor bad. Our language misleads us here. "The music is beautiful," and "Listen to the music," suggest that music is an object external to us. But the word "music" already includes the cognitive assessment, "These sounds are aesthetic." "I hear music" and "I hear beauty" can mislead us in that they have the same form as, "I hear sounds." "I hear music" is more like "I feel joy" than "I hear sounds." Music is, by definition, an emotion; sounds are not. Sounds can never become music unless they are evaluated.

The following traditional dichotomies have been established as a result of confusions between cognition, emotion, and feeling. They have generated theories as well as movements:

emotion vs. cognition/reason
feeling vs. cognition
feeling vs. emotion

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Romantic vs. Classical
irrational vs. rational
passive vs. active
reaction vs. action
Expressionism vs. Formalism
Dionysian vs. Apollonian
subjective vs. objective
unconscious vs. conscious.

The dichotomies dissolve once it is seen that emotion is cognition which produces feeling. Attempting to reduce emotion to feeling is based on yet another fallacy: that pure perception is possible. Artists often speak as if they can concern themselves with merely the sensuous medium (feeling) and pay no attention to language, cognition, or thinking. But these artists speak and they speak about art, about colors, line, form, how to see or listen, and so forth. We do not do art as if we cannot speak or think, or as if we have never learned a language.

Thus, the prevailing dichotomy between reason and emotion should be rejected. "Rational aesthetic emotion" is not a contradiction. (Aesthetic emotion can, however, involve irrational cognition.)

Aesthetics and Art

How do we recognize a value statement? Is it because of the subject matter? Because it deals with moral issues? "He killed his brother" is descriptive, not evaluative. But if we say, "He killed his brother, *and that is bad*," it becomes a value statement. "I see" becomes a value statement in, "I *like* what I see." Value statements in ordinary language usually consist of the following words or their synonyms: good, bad, right, wrong; should, should not; better, worse; best, worst. They may also be rendered by gestures, behaviors, or intonations. They are statements about statements, metastatements, a kind of seeing-as. Thus, there are no moral issues as such at all. Anything can be made into a moral statement by the use of value terms, e.g., "One *should* not paint a painting only in blue."

By the same token, there is no aesthetic subject matter as such. The fine arts are neither more nor less aesthetic than walking or raking leaves. Anything can be aesthetic. This coheres with ordi-

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nary language. We do say, "What a beautiful walk." Our ordinary language of aesthetics is not elitist. We may appreciate mathematics, writing, or anything, aesthetically. We can speak of the beauty in mathematics, or the mathematically beautiful. "Good" can be applied to any subject matter. One purpose of the study of aesthetics is to widen, not narrow, one's ability to appreciate. There are many possible ways that music may be appreciated. This is not a matter of theory, but of observing our actual language usage. It is not bound to any particular theory of ethics, but must underlie all of them.

Having identified value terms, we can analyze their meaning. "I will do *good* things for this museum." What will be done? Lower admission fees? Obtain additional art? We do not know. Sometimes the best action is no action at all. The point is not that we do not know specifically what "good" means here. We do not know what it means at all.

Ethical terms are like blank checks which have meaning only if something is filled in. "Good" is not a descriptive property like "red." It is more like a general term such as "color." Nothing has color as such. It can only be red, or green, or blue, etc.

We can separate aesthetic value from moral value on the basis of the different words with which we fill in the blanks. However, most of these words are identical. In fact, "good" can mean "aesthetic" and "aesthetic" can mean "good." The differences are primarily only contextual and due to subject matter. But the question arises as to whether or not the substitution instances should be different. Should not an aesthetic statement have moral import and a moral statement have aesthetic value?

If so, then to say that something is wrong or ugly in itself is unintelligible, because "in itself" precludes substitution or reason-giving. Furthermore, because some instantiations are contradictory to others, not all of them can be meant. To say that something is good or bad, ugly or beautiful in itself precludes knowing why.

To say "The painting is beautiful" gives us no specific substitute for "beautiful"—a frustration to art students and artists alike. Admittedly, it is difficult to answer the question as to why a particular piece of music is beautiful. Is it a matter of form, melody, emotive expression, tone quality? Whatever the case, for us to ascribe "beauty," reasons must be found. I may wish to argue that pacifism is always preferable to violence, but I cannot say it is right in itself.

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I can only give my reasons and arguments. The same is true of the aesthetic value of the work of Debussy.

Suppose we say, "Art is the expression of emotion," but produce no definition of emotion, or produce confused and contradictory views, such as those found in Croce, Collingwood, and virtually all others up to the present who have supported the expression theory of emotion. Then what is aesthetic becomes confused.

How can ordinary language be revised to produce acceptable meanings and reasons as substitution instances? There are as many possibilities as there are ethical and aesthetic theories. To illustrate, we may adopt a naturalistic theory. It has the advantage of eliminating supernaturalism and absolutism without violating the intelligible use of language. On this view, both aesthetic and moral good would reduce to bringing about one's wants on the basis of deliberate choice grounded in inquiry with full knowledge of consequences. Ethics would reduce to scientific inquiry, including full cognizance of emotive factors.[10]

Tragedy, as actual tragedy, can never be aesthetic. However, its portrayal can be evaluated as aesthetic: "A gloomy painting may tend to raise our spirits."[11] We may enjoy a tragedy of Shakespeare. But "gloomy" aesthetic value is a contradiction. Anger and other negative emotions are unaesthetic by definition. By contrast, we can learn to like and even wait for a foggy day or find joy in a thunderstorm in the mountains. This militates against the claim that aesthetic value is not merely beauty, but can include the actual violent and grotesque. On the other hand, aesthetic value may encompass any object or experience of our lives. Even war has been seen as aesthetic. So-called "fine art" does not have a monopoly on aesthetic value. Art can be the joy and warmth of a personality. Aesthetic value often, in fact, looks very uncomfortable in a frame. "The aesthetic is no intruder in experience from without. . . . It is the . . . traits that belong to every normally complete experience."[12] Art, as opposed to aesthetic value, can be aesthetic or unaesthetic (except where "art" means "aesthetic").

There is no realm of ethics or value versus a realm of everyday sensation and experience, no domain of value versus a domain of science. Dewey's pragmatism is a paradigm case for this view. To be moral is to be aesthetic and to be aesthetic is to be moral. His criterion of adequacy and sufficiency in the ethical theory is holistic. It leads us to ask where our art is heading. Is it humanistic art or

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merely immediate sensual pleasure? Is the humor mere wordplay, or does it give insight and contribute to the positive emotions and betterment of humanity?

If, by definition, aesthetic emotion is a positive value, it cannot be a negative emotion. A positive evaluation is contained in the very words "music," "melody," "art," "form," "balance." By definition, the ugly and tragic are negative emotions. It is a logical point that we cannot enjoy tragedy as tragedy. Nor, for the same reason, would we wish to go to a theater to experience tragedy. We can, however, enjoy a tragic play as a work of art. We can distance ourselves from it to enjoy how well it was written, or performed, or how it captures real life. The enjoyment (positive emotion) of tragedy (negative emotion) is a metaemotion. It is a positive emotion of a negative emotion. Debussy once said of *The Rite of Spring,* "It is a beautiful nightmare." Thus, to say the aesthetic can be tragic is false. It is to equivocate between an aesthetic emotion about negative emotion, and negative emotion itself. If we have a negative emotion about negative emotion, we do not have an aesthetic emotion.

Aesthetics and Emotion

Metaemotions are emotions about emotions. Enjoyment of tragedy is an aesthetic emotion about emotion. Love of beauty is an emotion about aesthetic emotion.

The emotion of fear, when produced by music, is not the same as fear produced by threat of war. Musical fear (aesthetic emotion) is not fearful (emotion). As Jerrold Levinson has written, "Negative emotion is not actually evoked in the attuned listener by even the most intense of musical works." He believes that tragedy in art allows us to purge ourselves of negative emotion: "Negative emotional response to music is desirable because it conduces to mental health."[13] It does so because, he says, it is "safe." We do not take it too seriously. We know it is only music.

If the tragedy's presentation helps us to understand the negative emotion and show its futility, it can help us to eliminate it also in everyday life. Catharsis clarifies an emotion by bringing it to expression and contemplation. We can analyze the emotion in the play. On the other hand, Levinson may be wrong in suggesting

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that it must lead to mental health. If the play gives a faulty view of negative emotions it may serve to increase one's anger or depression. Showing the virtues of revenge in theater may encourage vengefulness. One may also have trouble distancing oneself from the art, mistaking it for real life. Reading nothing but tragedy, listening only to dirges, can affect one in unhealthful ways.

Humor is a deviation or mistake that is not taken seriously. "The wrong note was played, but it is OK." If the mistake is taken seriously, there is no humor, but rather anger. Ridicule takes mistakes seriously. Humor can provide us release because it encourages us to accept what is, that people are human and so make mistakes. Ridicule, as ridicule, can only embitter us by failing to allow us to accept or adjust to reality.

If, however, we can observe in a play how ridicule is well presented or is based on fallacious understanding, it can also provide us with catharsis. Even if they do not clarify, the play's negative emotions may serve to allow us to "release" the feeling aspect of emotion so as to lessen our negative emotion. But this only deals with a symptom or effect. To change the negative emotion we must also change the assessment component. Jealousy is not eliminated merely by having a good meal or listening to relaxing music.

If art allows us to better understand negative emotion and to distance ourselves from it, and even to find aesthetic appreciation in difficult situations, it can help us learn to distance ourselves from negative emotion (and appreciate difficult situations) in everyday life as well. We can see problems as opportunities, adversity as a learning experience, and the world's imperfections as humorous. It is because the aesthetic always takes the place of or mitigates negative emotion that it can be a useful tool in therapy.

We may think of the inability to appreciate beauty as an inability to generate the kinds of positive emotion which constitute aesthetic emotion. This can result in an inability to appreciate poetry, music, painting, dance, etc., or it can lead to a limited ability, such as is evident in the elitism often prevalent among those in the fine arts.

Stoicism And Romanticism

The Stoics advocated the removal of negative emotion. Rational judgments produce positive emotion, e.g., happiness (*eudaemonia*).

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The wise person experiences the joy, happiness, and even exhilaration that comes from living a rational life in accordance with nature.[14] In contrast to the Romantic and religious use of supernaturalism and idealism in the arts, a Stoic holds that in a healthy state, correct cognitions are identical with positive emotions.[15] John Rist argues that correct cognitions produce "rational feelings," and that only "the picture-book Stoic wise person is devoid of passions."[16] Josiah Gould gives us such a storybook picture in saying that for Zeno, "*all* emotions are bad."[17] As Rist puts it, "Anyone who seeks '*apatheia*' in the sense of total elimination of all feeling and emotion, is asking for a state when all activities, even mental activities, are suspended. Such a state would be equivalent to death."[18]

If subjective and supernatural cognitions are imposed on the art object, we fail to experience the art object. Romantic aesthetic emotion involves idealizing the object, imagining it as all one wishes it to be; the less one is aware of the object, the better. This is like romantic love or infatuation. The appreciation ends as soon as one realizes that the art object is not what one thought it was.

Rational aesthetic emotion, on the other hand, requires one to know the object as well as possible, to be able to appreciate and get in tune with the music itself. There is a realistic foundation for appreciation, which allows it to last. It will not be less than we hoped it would be. With rational aesthetic emotion, one has few of the negative emotions and insecure, surreal beliefs that threaten the aesthetic emotion. This provides an openness to art; one is able to surrender to it to produce a more passionate appreciation than would otherwise be possible. Continual appreciation requires one to deliberately maintain such appreciation, to continue to evaluate positively. No object can cause one to like it. The parallel here is with rational love.[19] We can say both, "I aesthetically appreciate art," and "I love art." Aesthetic value integrates with moral value.

Virtually all judgments involve emotion. Belief (judgment, cognition, scientific statement, etc.) itself may be regarded as an emotion. It follows that a feeling accompanies any cognition. This is exactly what the Stoic, Chrysippus, held. For him, all judgments involve feelings or emotions. There is no such thing as emotionless cognition.[20]

For Collingwood as well, all judgments, all language, express emotion. Emotion and cognition unite. Even mathematics is emotive. This is like placing an exclamation point at the end of every

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sentence. "There is no need for two separate expressions, one of the thought, and the other of the emotion accompanying it. There is only one expression."[21] Judgments, therefore, may have an aesthetic component. In the healthy state, correct judgments produce positive emotions.[22] Similarly, Wittgenstein thought of rational thinking, philosophy, as therapy.

Humanistic Art

Dewey's consequentialistic theory of naturalistic ethics stresses adequate analysis based on thorough inquiry. It is a form of "humanism," which may be briefly defined as a nonsupernatural view based on fully honest, open, informed, and deliberate inquiry, with sufficient consideration of consequences, for the purpose of adequately bringing about our needs and wants. It opposes all dogma and absolutism in ethics, aesthetics, and life.

The aesthetic experience may be narrowly or inadequately conceived in terms of only a few aspects of experience, or it may be conceived adequately in more holistic terms. Certainly we may have narrow aesthetic experiences. We may enjoy the taste of heavy cream on cereal, as well as an inspiring philosophical essay rich with insights. The distinction between narrow and broad in this respect is like the distinction between more and immediate sensual emotion on the one hand, and cognitive emotion on the other. Both types of emotion may be analyzed in terms of the full range of human possibilities. Judging an aesthetic experience along the narrow-holistic continuum involves deciding whether immediacy or insight is valued more. It is a question of the purposes and value of art.

We may enjoy aesthetic "black humor." Part of Ezra Pound's "Sestina: Altaforte" reads:

> I have no life save when the swords clash.
> But ah! when I see the standards gold, vair, purple, opposing
> And the broad fields beneath them turn crimson,
> Then howl I my heart nigh mad with rejoicing.
> Better one hour's stour than a year's peace.[23]

The hunter may enjoy the thrill of the kill, without concern for the deer. "Top gun" pilots report being jubilant about the exuberance

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of battle, the perfect shot, the precise bombing, the surgical strike. For some, no other experience comes close to this. Pilots in the recent Gulf conflict reported that a day without bombing is like a day without the sun. We may enjoy a film without concern for its socially redeeming value. We may say that these are instances of a narrow aesthetic. Value is involved, but in a different way than with a broad aesthetic. On the cognitive level, the difference is between being short-sighted and farsighted. On the sensuous level, the difference is between seeing-as and the unreflective, putatively unmediated seeing of empiricism.

We may purposely distance ourselves from consideration of "moral value" and ordinary purposes in order to achieve aesthetic experience. One may experience malicious joy, but it is self-contradictory. Malice is a negative value, joy a positive one. We may prefer an aesthetic experience that not only does not contradict our beliefs, goals, and values, but rather positively enhances them. Art objects are created for a purpose. If the purpose is perverse, or based on faulty understanding, it will diminish the object's ability to provide a holistic aesthetic experience. It is not just that, as Dewey says, art should be purposive, holistic, and humanistic. It is that for it to be otherwise is self-contradictory. To be otherwise does not allow us to achieve our goals, which is to say it does not allow us to be either moral or aesthetic.

Emotions, including aesthetic emotions, contain value. Cognition allows us to evaluate any object as being aesthetic. We learn and decide what we wish to experience as aesthetic. In Dewey's view, it fulfills us more consistently and totally if we learn to appreciate what is, in the most broad and adequate sense, humanistic. For him, art is integrated, practical activity.[24] He states this as if it were descriptive, although in reality, it is what he is advocating. The aesthetic is always purposive. If it were not, there would be no possibility of evaluation or appreciation.

Yet there are many possible purposes. One purpose of painting is to produce an aesthetic emotion. Others are to indicate injustice or decoratively cover a hole in the wall. When it is said that art is not purposive, it cannot mean that it has no purpose at all—only that it does not have certain purposes. We may learn to appreciate as aesthetic that which is efficient and satisfies our other needs: to learn to dislike fat because of its harm to health, to appreciate an aerodynamically designed automobile. It is not practicality or effi-

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ciency which makes an object aesthetic, but the fact that we may evaluate efficiency or practicality as positive values.

If "intrinsic value" is a misuse of language, then it makes no sense to speak of *l'art pour l'art*, or the aesthetic as involving perceptions "for their own sake."[25] According to a naturalistic theory of moral value, positive value reduces to bringing about our reasonable wants and goals on the basis of deliberate and adequate informed inquiry. The theory is consequentialistic and stresses specific contexts and cases. Aesthetic evaluation and meaning come out of the context. We may apply this view of moral value to aesthetic value so as to create a naturalistic theory of aesthetics.

On such a view, both aesthetic value and moral value will be founded in broad-based and naturalistic-humanistic reason and emotion. Roger Scruton writes, "The audience must be able to hear musical relations and musical development in the terms of values and interests that govern their life as a whole."[26] Music interacts with everyday life. The Stoics viewed art as a system of fine perceptions to serve a rational humanistic world view.[27]

Ultimately, moral value and aesthetic value are based on inquiry. To achieve a goal requires technique, information, knowledge of consequences, and ongoing inquiry as to how best to bring about an end. For Cassirer, "Art is one of the ways leading to an objective view of things and of human life . . . a discovery of reality."[28] Art yields knowledge. For Dewey, aesthetic value, like moral value, shows intelligence.[29] For Ismay Barwell, art can express thought.[30] Collingwood holds that both philosophy and art aim at inquiry to produce "intellectual emotion"; "corruption of consciousness is the same thing as bad art. Art is knowledge . . . the pursuit of truth."[31] Aesthetic value and moral value are both forms of knowledge that help us to be adjustive, as well as to solve our other problems. "The idea that the artist does not think as intently and penetratingly as a scientific inquirer is absurd. . . . [He or she thinks in] every brushstroke."[32] It is in this sense that beauty is truth.

It is unclear what, if anything, separates aesthetic value from moral value. Their terms, "good," "bad," and so on, have the same open contexture and meanings. "Beautiful" derives from the word *bonus*, "good"; to appreciate is to value; a melody is not just sounds, not just noise, but sweet, agreeable sounds. Taste is good judgment, fine art is something done well. Where aesthetic value and moral value differ is that we normally use the same terms differ-

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ently in the two contexts. In this respect, we may conclude that aesthetic value is just moral value used in certain contexts.

Not only does aesthetic value require moral value, moral value requires aesthetic value. "No experience of whatever sort is a unity unless it has aesthetic quality."[33] Marcia Eaton says, "Part of what it means to lead a moral life and rational life is to respond aesthetically to objects, events and other people."[34] Intrinsic value is a contradiction. For Dewey, there is no adequate cognition without aesthetic value, all cognitions can be aesthetic, and the aesthetic is a quality of all cognition.[35] As Scruton states, "How we hear music clearly depends upon our intellectual capabilities and education, upon concepts, analogies and expectations."[36] Because music is intentional and involves human value, he doubts that animals can hear music at all. "Does the dove hear the subtle rhythm that we perceive in his call?"[37] To appreciate music requires language and valuation, neither of which animals have. We can then say that animals do not hear music as we do, although we cannot say, as Scruton does, that they do not experience music in their own way.

If we paint a house chartreuse, is it moral? If two houses are connected, but painted clashing colors, as is often seen in England, is it immoral? Is it immoral that British water pipes are not put inside the walls, but displayed on the outside of the house and may be painted bright green, purple, or orange? Is sleeping through the sunrise wrong? A messy house is both immoral and unaesthetic. Consequentialism is superior to absolutism in aesthetics as well as ethics. Accordingly, virtually all acts are valuational because of their consequences; no area of activity can be cordoned off as merely the realm of amoral "tastes"; and, more controversially, no act is moral unless it is also aesthetic. The last assertion has been shown to be true largely by definition. An adequate ethics requires aesthetics both analytically, because of the logic of aesthetic and moral value terms, and to cohere with a naturalistic-humanistic value system. In a holistic sense, the aesthetic must be considered in any moral act. The aesthetic itself is cognition and emotion, both of which must be considered in moral acts.

If emotion is cognition that causes bodily feeling, and if some bodily feeling accompanies every cognition, any cognition may be considered an emotion. To take an example mentioned earlier, the Stoic Chrysippus held that all judgments involve feelings and emotions. An emotionless cognition does not exist.[38] In the healthy

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state correct judgments produce positive emotions.[39] Emotions involve cognitions and cognitions involve emotion. Dewey contends that there is no emotion separate from cognition, only the "total organism."[40] Those cognitions which best suit our purposes can produce the most desirable emotions.

We may refer back to our comparison of rational and irrational aesthetic value with rational and irrational (romantic) love.[41] Romantic love is typically based on idealizing the partner as intelligent, kind, honest, rational, capable of few or no negative emotions, and so on. The less we actually know about the person, the better. This idealization can produce a high state of passion—a vulnerable one. As the truth of the actual unfolds, passion turns to disillusionment. Rational love is, on the other hand, based not on idealization, but on experience and analysis. We have few illusions. We have a broad-based understanding of people, can communicate well with them, have control over and a good understanding of our emotions, and consciously and deliberately assess situations so as to create positive emotions. These assessments cause bodily feelings which together produce rational love, a kind of security allowing for a full surrender to one another. (Compare Hobbes's observation that when one enters into a social contract, one has an emotion of being civilized.) Rational love is holistic, as opposed to a narrow, vulnerable romantic love. Fallacious concepts produce negative emotions. Adequate and sound concepts produce positive emotions, among them, aesthetic emotion.

Beauty and Therapy

In music therapy, it is thought that each encounter with music functions as a cognitive microcosm of the client's life. "Values, attitudes, and beliefs, both rational and irrational, are brought to bear in all experiences, and are therefore subsequently projected upon the client's approach to the music therapy setting."[42] Music reveals the nonadjustive as well as the adjustive. The cognitive theory of emotion can, through rational lyrics and music, help correct one's dysfunctional behavior. In therapy generally, a holistic and philosophical approach is often recommended, one which implicitly if not explicitly unites aesthetic value and moral value. Waismann reflects the above position as follows:

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> We have been suffering from a certain one-sidedness in treating language. . . . The whole world talks of love, but scarcely any serious thinker has given his time to a deep and searching study of the problems involved in emotion . . . with disappointing effects on an understanding of human nature. I think that it is only by turning to the whole of language . . . that we may hope to get a full view of the problems involved . . . [so as to move] towards a neo-humanism.[43]

Shlomit Schuster has argued in these pages that a philosophical basis is important for adequate counseling; we need to be aware of and constantly inquire into the nature of human nature, human development, ethics, and the universe.[44] Wittgenstein, too, claimed that philosophy is therapy.[45]

Art has the logical or definitional purpose of producing positive emotions. Unaesthetic people, by means of negative emotions, hurt others. For them, life is not as rich as it could be. It is in this sense immoral to be bitter, unjoyful, unhappy. One travels through nearly any town in France without seeing flowers. One may then cross the border into Germany where they are voluptuously inevitable. In the German or Dutch café (*Konditorei*), baking is a work of art, photographable, and typically served with exquisite elegance. This honors us. If we have a duty, it is to create *joie de vivre*, humanism, and gentleness. Having no joy is immoral. Negative emotions are illogical as well. Morality and reason culminate in *musica humana*, humanistic architecture, a beautiful lived environment. It is a renaissance to win back art and music from the gallery and orchestra hall. Croce wrote, "As the science of thought, logistic is a laughable thing."[46]

A humanistic art combines cognition and emotion, the aesthetic and moral, to achieve gentleness. There can be, as such naturalist humanists as Marcus Aurelius have pointed out, a knowledge and acceptance of reality such that everything happens as it should, and positive emotions are abundant. We think-feel gentle because we are humanistic, and are humanistic because we are gentle. "I do not say . . . a gentle blow, a gentle war."[47] The strident voice becomes smooth. "Grace of movement suggests sureness and gentleness, the doing of whatever needs doing without commotion."[48] Unity suggests the absence of negative emotion. The gentle is not ill-natured, demanding, quarrelsome, or aggressive. For Tolstoy, the purpose

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of art is the replacement of less kind by more kind emotion. For Dewey, "The genuinely gracious act of welcome contains also a change of . . . impulsion into an act of art. . . . Acts that were primitively spontaneous are converted into means that make human intercourse more rich and gracious."[49]

Aesthetic education should show us how to be able to appreciate the beauty in more things than we did before. We find, however, that the reverse is often the case. We learn to appreciate less. This is because such education assumes that the aesthetic is restricted to paintings in awkward frames, ignoring nearly everything else we see every day. Similarly, to assume that only music is aesthetic and not the thousands of other sounds we hear is like saying that there is only one way of looking at a thing, only one theory of art. Musicians favor this or that kind of music, condemning popular music and nursery rhymes. Music is thought to be aesthetic only if it is complex and requires great expertise won through rigorous study. Malcolm Budd typifies this attitude, claiming that "the significance of any musical work can be revealed only to initiates."[50] Formalism almost excludes the aesthetic experience itself by eliminating emotions, whereas "aesthetic" and "beautiful" by definition mean "good emotion."

Art is not only, and sometimes seldom, found in a museum, organ recital, opera, or theater. For the truly aesthetic person, it is found everywhere. In the words of Dylan Thomas:

> In the torrent salmon sun
> . . .
> On a breakneck of rocks
> Tangled with chirrup and fruit,
> Froth, flute, fin and quill
> At a wood's dancing hoof
> By scummed, starfish sands . . .[51]

Any object can be aesthetic.[52] In Germany, one sees piles of firewood cut in exquisitely equal pieces. Aesthetics has only an artificial and contingent relationship with art. Much that passes for art is often unaesthetic. Paintings may be bought, not for beauty, but for rarity, for capital. For every good poem there are hundreds of bad ones. In contrast, Eaton points out that "the aesthetic is to be found everywhere in everyday life: The way we walk, our intonations, the way we write a report, drink tea, or peel an orange. A

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thunderstorm may be more aesthetic than the best symphony."[53] For Dewey, too, the aesthetic experience must be brought back out of the museums to the light of day.[54] When this happens, our everyday life will become aesthetic and gentle. This may be called "deep gentleness" because grounded in adequate argument and moral value. A "kinder, gentler nation" does not kill up to 150,000 people, as was done in the Gulf War. As Van Kaam wrote, "A person who is a perfect gentleman in the social sense may not be a gentle man inwardly. He may not have cultivated true gentleness, only the outer mask."[55]

A parallel may be made between the aesthetic experience and altruism. Both yield positive emotions. But we may be altruistic not merely because of the positive emotions this provides us, but because in terms of the overall consequences, it makes sense to be altruistic.[56] We may similarly argue that although the aesthetic provides us with positive emotions, we create it because it makes sense holistically as human beings to do so. To be altruistic is to be aesthetic and to be aesthetic is to be altruistic. In addition, the positive emotions are based on cognitions, and the more integrative, adequate, and humanistic are the cognitions, the more positive will be the emotions.

Art theorists generally are puzzled about how music or art can inform, give us morals, or humanize us. Art is not a denotative, directly referential language. But it is a connotative and indirectly referential and suggestive form of communication. As Daniel Putman writes, "The *Grand Canyon Suite* and the second movement of the *Eroica* may help us to refine our disposition toward what it is to be alive."[57] Art communicates by means of perceptual associations. When Kant says that art is "purposiveness without purpose," we may reply that it is the holistically purposive rather than narrowly purposive. Like interjections and particles (e.g., "Well!") in language, art seems to say nothing, but rather leaves nothing unsaid.[58]

A goal of life, a goal of art, is *joie de vivre*, to find the best that we can be, capture the finest moments, discover or create ideas that positively change our lives so that we can never go back to the way we were. This is at the same time a definition of philosophy. Yet articles and books on *joie de vivre* are not to be had.[59] One of the most significant positive emotions remains behind a conspiracy of

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silence in museums, libraries, and art galleries. And without an understanding of it, the aesthetic remains a mystery. We can only whisper of claims to create, produce, or understand it.

If emotions are cognitions which lead to feelings, we may deduce that *joie de vivre* is an emotion involving humor, acceptance, and rational love, plus specific techniques of behavior. If we have this emotion because we learned it automatically from our culture, it is limited in its humaneness, scope, and possibilities. We may call it "cultural *joie de vivre*." If, rather, it is deliberately and consciously held because it makes sense, because it brings together one's life, we may call it "rational *joie de vivre*," suggesting style, technique, finesse.

We have no literal definition, only paradigms. *Joie de vivre* may be categorized as spontaneity; being carefree; the free, demonstrative, and open expression of positive emotion; being poetic; creating metaphors; playing with language and sensation. It is to use the forms of rhetoric, ambiguity, the absurd, free association, oxymoron, and paradox, to create humorous deviation. We live such deviations, have an insatiable hunger for metaphors, for new experiences. "Ecstasy" is from the Greek, "distraction, out of place." *Joie de vivre* is also to surrender as to a friend, or have empathy. Genuine surrender can induce an exuberance unequaled by any other.

Joie de vivre is characterized by adequacy. It is the pulling together of all the best that we know and feel. It is unceasing curiosity and inquiry to bring about our informed wants. *Joie de vivre* is an experience beyond cultural views of good and bad, beyond ubiquitous emotional dysfunction, beyond narrow bounds, a surrender into the same sort of freedom which comes with rational love. When all of its positive characteristics are harmonized, we are led to an astounding emotion, an emotion of the voluptuousness of life — rational *joie de vivre*. Aesthetic altruism, gentleness, and *joie de vivre* become our greatest powers.

Although a narrow, sensuous, elitist aesthetic is possible, there are pragmatic reasons to prefer a holistic, cognitive aesthetic. Aesthetic value comes together with moral value to produce the morally aesthetic or humanistic art, to allow us to appreciate life to the fullest. Thus, aesthetics becomes by definition the highest good.

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Laurie Calhoun

INSTITUTIONS AND DEVIANCE: ART AND PSYCHIATRY

Deviance is esteemed in the art world, and all great artists have broken with the traditions that preceded them and rebelled against their contemporaries. Yet in society deviance is more often than not condemned. Our apparently contradictory attitudes toward artistic and social deviance are explicable in light of the conservative nature of institutions and the nature of comprehensibility and psychiatry.

Society, the largest community to which we belong, contains many other conventionally delimited communities. The members of a community are bound together by shared interests in certian types of objects. A community, along with its activities and objects, demarcates an institution. Disputes about an institution's objects are settled by that institution's subcommunity of experts. Society agrees that the experts in a given institution are those whose training and experience render them best qualified to speak *ex cathedra* about the objects in the domain of that institution. The experts of a given institution are appointed by the entire community of that institution. The community's agreement that the experts in a field are "the experts" makes them the experts in that field.

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Communities and their associated institutions tend toward conservatism, since those who disagree radically with the prevailing values of a group most often join other communities where their interests and values are already shared by the experts. Revolutionary overthrows of the value systems of communities and their associated institutions are nearly impossible to effect by individuals, since institutions have built-in mechanisms for removing dissidents. Failure to agree with the experts of an institution is nearly always regarded as evidential of incompetence.

Institutions change over time in accordance with the evolutionary model of punctuated equilibrium. Small disruptions are squelched or ignored, but this has the effect of volcano-capping, eventually becoming prohibitively difficult and finally impossible. Those in authority can remove weeds from their own garden plots, but eventually history marches on, and change is effected. For example, despite many localized protests against slavery, the institution remained intact for centuries, since those in power were, of course, highly conservative. Effecting radical change in an institution requires powerful opposition from the outside; only something of the magnitude of the Civil War was able to switch a community's perspective, forcing people to invert the Necker Cube. If some of the plantation owners had tended their plots a bit more carefully, they might have postponed the war for five, ten, even twenty years. But everyone knows that weeds come from weeds, so when they were gone, history would have marched on, and what would their gardening have accomplished? Now, looking back, we can see the type of self-deception in which slaveowners engaged, persuading themselves that they were doing their slaves a favor, by providing them with "the opportunity" to eat, sleep, and reproduce.

Institutions seek harmony and stability and eradicate sources of discord and instability. Institutions have a derivative interest, via those whose livelihood depends upon them, in their own continuation. Therefore, two types of institutions exhibit an internal tension: those that have mechanisms for self-criticism, and those that revolve around activities that are essentially creative, artistic, and generative of new ideas.

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The Art World

The institution of art comprises all and only those individuals who constitute the experts as "the experts" and take themselves to have the same objects of discourse. These are the critics, historians, scholars, gallery owners, museum curators, museum goers, and those artists who communicate with the experts. The art world has an interest in its own perpetuation: critics, dealers, gallery owners, and museum curators all derive their means of sustenance from it. But, at the same time, the institution's *raison d'être* is art, which is essentially deviant. The artist's work is necessarily on the margins of what might be termed "the sphere of comprehensibility" of others, including those in the art world. This is why what he does counts as original.

Normal language users in the world, as we ordinarily conceive of it, understand one another to a high degree in discourse about the basic ontological categories of what they take to be the world. Discourse ranges from strictly literal, at the core of "the sphere of comprehensibility," to highly metaphorical. Language use near the core is pedestrian and understood by all competent speakers of the language in question. As one moves further out, language use becomes more and more nuanced and ultimately reaches its limits at the periphery, where the use of metaphor becomes obscure and recondite, readily comprehensible only to individuals whose past experiences and knowledge peculiarly equip them to understand the speaker's idiosyncratic usage in the instance in question. To transcend the sphere of intersubjective comprehensibility is to render oneself unfathomable and escape to another world.

Location within the sphere of comprehensibility is itself a metaphor for the degree to which an instance of language use is metaphorical or literal, relative to a given language community.[1] Proximity to the periphery or distance from the origin is a measure of "newness." At the core are expressions of literal meaning, that is, instances of language use the governing conventions of which are almost completely solidified. No competent language user, no member of the community in question, could fail to understand these expressions. Surrounding the core are somewhat less frozen metaphors. A little further out are what might be described as

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"slushy" metaphors. Near the periphery, language use is fluid. Outside the sphere, the liquid has transformed to gas; language use escapes all comprehension by leaving the original vessel, convention, behind. Newness and comprehensibility are inversely proportional to one another.

This metaphor naturally extends to cases of nonlinguistic symbolization, since the distinction between linguistic and nonlinguistic symbolization is itself conventional. Accordingly, what constitutes a language is also a matter of convention. The symbol "♫" could symbolize anything. A black dot could symbolize the sun, just as "the sun," "le soleil," "die Sonne," and "el sol" do. The alphabets of non-Western languages exemplify, to nonreaders of those languages, the aesthetic nature of linguistic symbols: ŧ, ॐ, ९, ३. Nothing prevents people from associating things with one another, including what we ordinarily call written symbols and things, or completely different kinds of things, in many different ways. For example, in some contexts the color purple definitively symbolizes royalty, and black definitively symbolizes death. Again, the degree of fluidity of the symbolization is the degree to which conventions governing its interpretation have become standard and is finally a function of the relevant community.

Artistic Deviance

Artists are marginal members of society. They create objects which are nonexistent, as far as society is concerned, until they are discovered by experts in the art world. In order to be accepted by the institution of art, an art work must be comprehensible to the members of the art world. But this does not require that it be understood in the very manner in which the artist himself understands it. In fact, that would be surprising, since the reason that the artist is an artist is that he is marginal relative to the larger community, society. The artist imparts new meanings to objects agreed upon antecedently to exist. The sort of "newness" recognized by an institution is predicated upon shared assumptions about the existence of certain objects: canvas, paint, galleries, etc., in the case of the art world. If an artist's meanings are entirely pellucid to others, then they are not new.

The question might naturally arise whether someone else must

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not on some level "understand" a work of art. How could a work be radically innovative, given that artists are historically situated? In my view, "newness" is a measure of distance from the origin of the relevant community's "sphere of comprehensibility." Relative to the artist's private world, his "new" appropriation of symbols is standard, since he is the absolute in that world. An artist's meanings are "new" only relative to some other, heterogeneously constituted community. If that community happens to contain others relevantly similar to the artist, then they will share something like his own understanding of the work.

In contrast to academia, where the experts themselves pass through the very system they later come to govern, in the art world the experts typically have gone through a different system. They have been trained in the history of art and art theory, quite unlike the pathways through which the artist comes to his vocation as an artist. Indeed, studying art history and theory might hinder the development of one's artistic potential, by inculcating ideas of what "art" is supposed to be. Forgers (*qua* forgers) are technicians, not artists. They are engineers who devise means to predelineated ends. "Artists" who emulate those who preceded them often end by producing no more than tarnished imitations of brilliance.

Some art objects are just found. Their creators have no relevant connection to the appropriating institution, but somehow their works come fortuitously to be appropriated. Other artists are in a sort of critical dialogue with the institution. "Reactive" artists are acknowledged contemporaneously, while "non-reactive" artists, in the few cases where they are discovered, are usually discovered posthumously. Some reactive artists of the twentieth century could be viewed as hybrid "artist-philosophers," since they raise new questions about accepted distinctions. In doing so, they self-referentially exemplify what all artists do, though on a smaller, less obvious scale. Even when, prior to this century, aesthetic qualities were considered of paramount importance to the experts of the art world, it was artists who in some sense imposed their visions of what constitutes beauty upon others, i.e., those who were persuaded to agree.

Whether or not what an artist creates comes to be regarded as valuable depends upon a variety of factors, such as whether or not his works are preserved. The works must be preserved fortuitously, at least at the first juncture, since only later will they be

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deemed to contain value *qua* works of art. In some cases, they are preserved only due to what a family member regards as their sentimental value. Works that are preserved out of beliefs about the artistic (or aesthetic) value that they contain lie closer to, in fact slightly within, the sphere of comprehensibility of the relevant community. At least some others have understood. But the essence of creativity is unpredictability. Were some putative act of "creativity" predictable, then it would not be creative, since being creative consists in employing symbols in novel ways, ways not sanctioned by reigning conventions.

Eccentrics flout the conventions of "our fair society," but they are tolerable, to a point. When eccentricity exceeds all limits of comprehensibility, then it effects the expulsion of the individual from the relevant community. Expressed creativity, which is acknowledged as such, takes one of two forms: the artist either sees or focuses upon different features of the things antecedently agreed upon by other members of his community to exist, or he perceives them tinged by values differently than is "normal." Was Duchamp insane? What could be more insane than to hang a urinal in an art gallery?

Art and Power

The institution of art accepts all of those objects that it perceives as novel, but in some way ultimately soluble. In order to be accepted, whatever the artist has created must both be comprehensible via the concepts of the experts, and possess artistic merit. In other words, the object must be translatable into a coherently interpretable structure, while at the same time being regarded as new. What is required is some "isomorphism" or translation into a coherent idiom about the object left behind.

It is curious that an institution, which can operate only according to certain fixed conventions, should require novelty from the outside in order to continue to exist. The radically other is a challenge to one's own standards and, therefore, to one's security. The artist challenges the reigning institution's belief in the legitimacy of its own success. The arts provide entertainment for the hoi polloi, but the experts deny that art is about entertainment. Scholars and critics must deny that art is about pleasure, otherwise they couldn't be

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"the experts." Who can measure the pleasure of another? Who can tell another what gives him pleasure? Art critics are presumably warranted in being paid for rendering judgments upon art works because they are experts. They can identify what is good and what is bad. But if what constitutes good and bad metamorphoses, their credentials evaporate. This explains why some artists who are completely neglected during their own time can come to be heralded posthumously. If they are radically innovative, then their work is necessarily incomprehensible to nearly everyone, including those who wield power in the art world. Scholars of art theory and history cannot recognize innovation, since if they could recognize it, then it wouldn't be new (or they would be artists and not scholars). But if they cannot recognize it, then it (and its creator) cannot be acknowledged. Acts of creativity are incomprehensible to most people. If they are incomprehensible to all but the artist, they dissipate completely unnoticed. Cases such as that of Van Gogh are fully comprehensible on this interpretation.

Artists insist upon doing things their own way. Perhaps artists see or conceive of the world around them deviantly and express these visions or conceptions through the creation of objects which somehow express new aspects. Or do they purposely distance themselves from others by rendering themselves incomprehensible? Do artists believe that "*man ist, was man ißt*"[2] Perhaps they simply do not understand what "appropriateness" is.

Nelson Goodman claims that artists can be mistaken about the meanings of their works.[3] The identity of the art object is agreed upon by all disputants over interpretation. Relative to *that* world, the dispute is about the work's quality and what the work means. But there is no reason to think that anything like the artist's own opinion will be the victor, since the artist is an artist because he is deviant. Judgments of the rightness and wrongness of interpretations can be made only within a milieu, so it is "vulgar" to assume that the artist cannot be wrong. But the artist cannot be wrong if he is the sole member of the community in question. Relative to *that* world, the artist is the absolute.

The artist's intentions about and the viewer's interpretation of "an art work" are not of the same thing unless the community is delimited such as to include both. But artists, critics, and other viewers can, and often do, disagree. An artist who spurns the opinions of the experts is marginal, alien relative to the institution of

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art. He is not contemporaneously a member of that institution, since he flouts its criteria of excellence. Refusal to accept the experts' answer to the question results in ostracism from them. The person who refuses to accept the outcome of that game, which is a dispute over the properties of an object agreed upon to exist, escapes to his own community, where he is the expert. The question is about artistic merit, and the experts provide an answer. The discourse comes to an end, a new object and world are created, and a chasm is interposed between the artist and the art world.

Profoundly innovative artists are incomprehensible to us, but sometimes their works, through sheer fortuity, make sense when we look at them. Sometimes societal convention takes time to catch up. Was Van Gogh discovered only posthumously because he was a radical innovator? Or was he a radical innovator because he was discovered posthumously? (Are these cases distinguishable?) Popular artists are comprehensible to us and are only eccentric, rather than fully peripheral. Popular artists attend cocktail parties with critics. Maybe popular artists are radical innovators who have been profoundly misunderstood.

The artist creates the objects to which he attends. He finds himself believing in the existence of the object, such as a canvas, which serves as the basis for an investigation. He answers the question he has posed by imparting a new property to the object, thus creating and destroying simultaneously with each brush stroke. Artists change the way others conceive of the world, as Picasso explained when he responded, to Gertrude Stein's complaint that his portrait of her did not resemble her, "No matter, it will." Artists manipulate others into seeing things differently. They force a new selection of features and perception of values upon others. They throw an object, which to them has certain essential properties and meaning, out into the world, where it is appropriated by the interpreting community. The experts sift through "the wheat" and "the chaff," a process which is similar to that of the artist, who creates what we honorifically label "art works." The experts confer properties upon the works, and then they try to persuade others that the properties exist.

Supposing for a moment that absolutism about aesthetic values were correct, that it were an objective matter whether something is aesthetically meritorious, one might think it miraculous that the

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people who choose to become "the experts" should happen largely to coincide with those who *are* the experts. Art critics choose to study art history and theory. What better way could there be to ensure that you have refined taste than to become an expert about matters of aesthetic judgment? But to assume that *one's decision* to become an art critic somehow (miraculously) provides him with an access route to higher-order truths about aesthetics can only be an act of wishful thinking. These sorts of considerations lead many to believe that relativism about aesthetic values is basically right.

We conventionally honor with the label "art" those conceptions/perceptions that are new to us, those which make us look at things differently, but which are expressed via accepted media. One way of being deviant is to refuse to play by the rules. Artists who question the very frames institutionally drawn are radical innovators engaging in a dangerous game. They either succeed in undermining, by shifting, the frame of the community, or they fade away into oblivion. If they shift from one medium to another, they might be esteemed or further ostracized. (Are these natural concomitants?) To make a new point, Duchamp appropriated a new medium.

Duchamp was impenetrable; Duchamp was opaque. He was insane. He was a philosopher. He was a genius. Duchamp just did those things. (Are these cases distinguishable?)

Duchamp is incomprehensible. But you make him comprehensible by choosing to occupy some level in speaking about him. You find yourself with this object, Duchamp, and you conduct a discourse about him with others within a world until a new property is applied. Languages are contextual, and each different milieu has its own criteria of appropriateness. You can communicate with someone only at some level, in some context, looking at an object which is exhausted by some description. Two psychiatrists have one discourse; two philosophers have another. A philosophical psychiatrist must decide between the two. Duchamp becomes insane, a genius, a philosopher, or an idiot, in a context, at the culmination of a discussion. "The real Duchamp" is chimerical, elusive; he is nowhere to be found. If Duchamp remains opaque, you close your eyes and annihilate him. When artists radically change their medium, they have gone too far.

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Deviance Is Danger

Society is the largest institution in which we participate. In society, some behavior is deemed completely inappropriate, antisocial or pathological. The experts on these matters are the psychiatrists. Ordinarily we conceive of the mentally ill as those who are unable to function "normally" in society. The degrees of dysfunction vary from minor neuroses, which nearly all people appear to manifest at one time or another, to major disruptive and incapacitating problems.

About Thomas Szasz's *Ideology and Insanity* a reviewer writes (in a blurb on the cover), "The important message in Szasz' book is that maybe the day is long past due when we should stop forcing ideas, moral codes . . . on others for their own good." Should psychiatrists accept Szasz's claim that "it is wrong to force ideas, moral codes . . . on others"? Is it a fact that we should stop? Or is it, rather, his idea, a part of *his* "moral code"? Perhaps Szasz believes that it is miraculous that the people who choose to become "the experts" should happen largely to coincide with those who *are* the experts. Psychiatrists choose to become the experts about "normality" in society. What better way could there be to ensure that one's own concept will be vindicated than to become one of the experts? To assume that one's *decision* to become a psychiatrist somehow uniquely qualifies one to assess the appropriateness of the behavior of others can only be an act of wishful thinking, or so Szasz may think. Does Szasz value a specific form of tolerance more than nonhypocrisy?[4]

One feature that distinguishes moral from artistic deviants seems to be that we believe ourselves to understand the former, and simply regard their behavior as bad, while an aura of mystery surrounds the work of an artist which we do not initially, but only later, come to understand. Deviance is tolerated until it harms a community. But harm is not only physical: New ideas and perspectives are destructive of old ideas and traditions. Institutions have an interest in preserving and perpetuating themselves. Those whose livelihood depends upon the existence of such institutions will as actively defend them against outsiders as a neighborhood might defend itself from the local lunatic.

If you told a psychiatrist that you think morality is "a vain and chimerical notion," he might notify the police. But only practical reasoning legitimately issues in policies of action. Theories of prac-

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tical reasoning prescribe different policies of action depending upon the ends sought. According to purely instrumental theories of practical reasoning, ends are rationally irreproachable. Only according to a noninstrumental theory can people be faulted for their antisocial ends, for being dysfunctional, for not selecting a plan of action that contributes to their ability to interact with others, or for selecting a plan that is in some other sense "bad." Languages and, therefore, theories are contextual. Given that societies can be delimited in any possible way, depending finally upon the individuator, there can be no a priori grounds for preferring one conception over another, unless one already believes certain normative principles—for instance, that "it is good to try to get along with most other people." How could one come to believe that, if one didn't already?

Are conscious beings necessarily instrumentally rational? Individuals act as though in accordance with their own theories of practical rationality, which are necessarily true for them in the private communities of which they are the only member, since they believe them to be true. Within a community of one, the sole individual is the expert. When others are incomprehensible to us, sometimes their behavior strikes us as irrational. Sometimes we find their actions ludicrous—for example, if they appear to be seeking a particular goal and go about it in a completely circuitous manner. If there is no substantial self, as we ordinarily conceive of it, then such judgments betray the judge's erroneous concretization of the other. But even if our common-sense view of the self is correct, ascriptions of irrationality can only involve application of one's own values to another. One cannot fail to be rational, if "rationality" is relativized to one's private world. While another's comportment might strike me as irrational, if I were to see what he sees, if I held the theory of practical reasoning that he acts as though in accordance with, then I would prescribe, rather than criticize, his behavior. Whether or not someone's behavior strikes us as irrational depends ultimately upon our interpretation of his enterprise.

If you observed a man spending an entire day at a table, using a pair of tweezers to divide a pile of apparently indistinguishable crystals into two piles,[5] you might think him insane. What could you infer about his beliefs by observing his actions? You could

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infer that he finds the enterprise worthwhile; that is why he is engaged in it.

An individual's conceptions are constrained by his own antecedently determined values and interests. He conceptualizes in the manner in which he does by focusing on some rather than other things, and he sanctions some while rejecting other ways of being. But given the apparent possibility of switching perspectives, of adopting different value theories, these "constraints" would seem to be nominal. The possibilities for interpretation are infinite in number, involving (at least)[6] two tiers of "interpretation." On the more fundamental level, objects are "made," and, on a higher-order level, their significance is interpreted via a selection of certain properties as relevant or interesting at a given time.

Many would balk at a denial of the common-sense view that the structure of reality is independent of human minds. We ordinarily think that there is something seriously wrong with someone who sees[7] purple unicorns. But if you told a psychiatrist that you believe in the existence of eleven-dimensional strings, he might just as well prescribe an antipsychotic depressant. Of course, what is wrong in such cases is no more and no less than that the person's reports (and behavior) do not agree with the concretized conventions governing what we have intersubjectively decided (albeit tacitly) to count as veridical experience. It would suffice, for purple unicorns to exist, that the relevant community justifiably believe that they do, if truth conditions are finally justified belief conditions. Relative to his own private community, the individual is the absolute, so his belief is necessarily veridical. The existence of objects is determined by nothing more and nothing less than prevailing conventions governing realism. The difference between the cases of interpretation of an art work and description or interpretation of an event (as ordinarily conceived) is not that the symbols in the former case are more replete than those in the latter but, rather, that the conventions governing symbol interpretation in the latter case have been solidified so completely and pervasively that most people think of "reality" in absolutist terms.

"Events" or "states of affairs" are ordinarily thought to be described by "facts." Description of discrete events involves interpretation of replete symbols, and "the facts," the interpreted events, are conventional. The manner in which one's experience in the moment is described determines the content of a fact. For example,

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although ordinarily we would expect someone who had just "witnessed a car accident" to report that fact (when asked what had recently transpired), his description might rather focus upon other aspects of his experience; e.g., it could involve a finer or cruder level of discrimination than those words permit. He might say that "two pieces of moving metal collided inelastically with a resultant increase in systemically localized entropy." By describing his experiences in such ways he would render his behavior completely incomprehensible, or at least inappropriate, relative to the conventions governing intersubjective communication in society. But he would nonetheless be expressing a fact, describing an event. The idea is best illustrated by the common-sense case of omission of information in reports of "the facts" in society. While an elliptical description of an event may not explicitly include the utterance of any falsehood, it can be misleading through omission. Every verbal report of any event, as ordinarily conceived, is selective in the manner in which the familiar case of misleading omission of information is.

It is nearly impossible to appreciate the degree to which events are replete, given that we have all been inculcated since birth to attend to some and not other aspects of our environment. But it might be helpful to attempt to imagine what it would be like consciously to experience a complete sensory impingement of all possible stimuli to which one could, in principle, attend at a given time. One way to do that might be to imagine what an integration of several different stimuli would be like and then extrapolate to the harder case. So imagine reading this essay while simultaneously listening to music, taking a bath, and smoking a cigarette. This case is pretty obviously inadequate, since you will most likely switch your focus from one to another aspect of the environment.

The idea is exemplified in music by the form of the fugue. Trained musicians apparently simultaneously attend to the different voices of a fugue, though they are completely independent of one another. To the untrained ear, a five-part fugue is an undifferentiated blast of noise. The undifferentiated blast of noise is metaphorical for an unprocessed mass of sense data that is ordered (by us, the equivalent of trained musicians) into discrete events about which we can discourse and which permit our functioning in society. The example is not meant to suggest that we have access to some pure sense data, completely independent of all possible theories. Even

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the "blast of noise" is perceived as noise, so the comparison is apt with regard to theory-ladenness. As in the earlier case, it is unclear whether the musician is attending simultaneously to the different voices or can simply switch his focus from one to another voice very quickly. But these examples at least begin to suggest the degree to which events are infinitely replete and necessitate a selection and ordering on the part of a conceptualizer.

If I were to ask you what you are doing right now, knowing that your eyes are open, you might answer, "I am reading," or "I am looking at your essay," or "I am interpreting the characters on this sheet of paper," or any infinite number of other statements, all of which are, in one sense or another, true, though also, in many ways, omissive.

Some people apparently share with us the common conceptualization of what we ordinarily conceive of as "the world," but they focus upon features we do not ordinarily deem worthy of attention. One case is that of a person who finds incredible significance in the occurrence of "events" that might to others seem coincidental. These people (characterized by psychiatrists as "hypersuggestible" or "paranoid") are interpreting symbols—the governing conventions of which to most people appear to be frozen—in novel ways. In some cases, these people could be said to be interpreting "nonaesthetic" symbols "aesthetically," assuming our conventional ideas about this distinction. For example, you might attend to the patterns of the letters on this sheet of paper, rather than reading the text for its content. This would be to consider the letters as aesthetic objects in their own right, not merely as vehicles for the expression of the ideas of this essay.

The distinction between these types of symbols is itself a matter of intersubjective agreement, so such deviant individuals are artists. Either they are artists within their own world, where the aesthetic/nonaesthetic distinction is differently drawn, or they are artists in society who differ from traditional artists in that their media are "events," rather than sounds, paint, or words. But, on either interpretation, these people are imparting an order, a structure to their experiences, devising a theory which is "inappropriate" according to the ordinary standards of society. Was Bishop Berkeley psychotic? If you asked a psychiatrist whether *he actually believes* that material objects exist, he might say that you have had a "psychotic break with reality."

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People whom we call "neurotic" are comprehensible to us. People whom we call "psychotic" are incomprehensible to us. People who do not agree with us about the basic ontological occupants of this world are psychotic. Their conceptualizations seem to differ radically from ours, and this is why they are incomprehensible to us. We do not know if they understand us, because they do not communicate with us. So to label someone "psychotic" may be tantamount to saying that his values and interests are radically disparate from our own. Had he agreed with us, then he would be "normal." Whether madness is in some sense volitional might depend in part upon the agent's interests in being a member of the community. Perhaps his sincere efforts to be a member of the community failed. Or perhaps he prefers the eccentric structure that he imparts to his worlds. Or maybe he just became that way.

Psychiatry

Psychiatry is problematic. First, one's power of judgment, reason, has no subject matter. So it is either sound, to be trusted in all cases, or unsound, not to be trusted at all. Second, if you are justified in believing what you do in the absence of reasons to the contrary, then how could my testimony provide you with a reason to abandon a belief unless you had antecedently appointed me the expert? But if you were of sound enough mind to appoint an expert about sound judgment, then why shouldn't you trust your judgment elsewhere? And, if you appointed me, but are of unsound judgment, then why should you accept that appointment subsequent to finding out that you are of unsound mind? Third, how could one abandon a belief, in the absence of new evidence, unless one were persuaded that it was self-contradictory? There is nothing logically contradictory about purple unicorns or eleven-dimensional strings.

A conceptualizer must regard himself as a normal conceptualizer, since his willingness even to accept experts as "the experts" presupposes his belief in his own ability to make judgments. A patient could only be *seduced* into believing both that he is abnormal and that he is of sound enough judgment to recognize that he is abnormal. The psychiatrist-patient relationship is inherently paradoxical: Is it rational to trust someone whose entire means of subsistence derives from the existence of people whom he has convinced that

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they are of sound enough judgment to judge that they are of unsound judgment? Doesn't that consideration provide one with an extra reason not to trust him, even if one were predisposed to do so? (Many people have bought swampland in Florida. Therefore, some people have sold swampland in Florida.) People who believe that others are out to get them are paranoid. But would you trust someone who tried to persuade you that "p and not-p"? Supposing that you believed him to be sincere, could you take him seriously (intellectually) at all?[8]

Belief in the authority of a psychiatrist requires a "leap of faith," since to trust a psychiatrist one must be willing to embrace a paradox. But doesn't a patient's willingness to believe someone who persuades him that "p and not-p" conclusively demonstrate his own incoherence? This may explain why so many people become dependent upon their therapists. The patient who has this sort of faith in another person has come to view him as the authority about where he can and cannot apply his own powers of reasoning.

Perhaps, then, madmen are artists who flout the conventions of "our fair society." They refuse to accept what the experts have agreed to be the facts. They lie outside of our "sphere of comprehensibility" and are completely opaque to us. But we will never "catch up" to them, because their deviant behavior is fully ephemeral, not being preserved in material art works. Their media are events. They divide things up in a different way than we do. Or else they selectively interpret the environment in exceptionally deviant ways. Or else they value things differently than we do. In fact, all of these collapse into one, since the facts are determined by the experts of a community, and they do not communicate with us and therefore exclude us from their private communities. They exclude all others from their world, leaving themselves as the experts, so their values completely and exhaustively determine the facts in the worlds they inhabit alone. They constitute their worlds at once ontologically, selectionally, and valuationally.

The difference between those whom we honorifically label "artists" and madmen is that artists agree to share large, crudely constituted worlds with us. They agree with us that extended objects exist. They agree to work in media that will make it possible for the experts of the art institution to retrieve and later understand their works. Their worlds are structured by logic, and they are comprehensible.

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The relevant distinction between social deviants and (honorifically labelled) artists seems to be that the former appear to pose a threat to the security of the institution of society, while the latter do not. Artists seem innocuous, so long as they are not perceived to step into the territory of "reality." Only within a framework rigidly upheld by the experts is creativity permissible. When art steps out of its legitimate bounds, "the authorities" intervene.

The practice of psychiatry is fully comprehensible on this interpretation. Psychiatry is the community's self-defense against otherness/deviance. Deviants pose a threat to the structure of society, and psychiatry serves as a defensive police force. So the function of psychiatry seems to be one of homogenization: to make people act like other "normal" members of the community. Institutions have a derivative interest in preserving and perpetuating themselves. Those whose livelihood depends upon the existence of institutions will actively defend them against outsiders.

NOTES

1. If this metaphor is highly comprehensible to you, then it lies well within the bounds of our intersubjective sphere of comprehensibility.
2. "You are what you eat," a view attributable to Aristotle, especially in *Nicomachean Ethics*.
3. Nelson Goodman, *Languages of Art* (Indianapolis: Hackett, 1976).
4. The view may be traceable to Mill (*On Liberty*), whose fervent defense of the value of tolerance is at least not self-contradictory. The problems with Mill's view are its simplistic conceptions of tolerance and harm.
5. Louis Pasteur discovered the enantiomers of tartaric acid in just this manner.
6. The precise number will depend upon how one chooses to differentiate "levels." But in all cases where the individual conceptualizes objects external to himself as having hidden aspects (e.g., three dimensionality) there will be at least two tiers.
7. For the purposes of this example, assume that "seeing" is defined phenomenologically, so that it is not a contradiction to "see" something nonexistent.
8. Psychiatry is a fortiori problematic because many individuals who are psychologically disturbed enough to seek professional help are in such a condition due to their prior psychologically abusive relations with people who proved to be untrustworthy and duplicitous.

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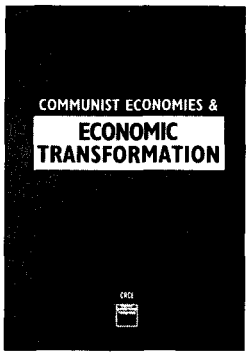

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Charles A. E. Goodhart

THE FREE BANKING CHALLENGE TO CENTRAL BANKS

The numerous historical episodes of free banking have invariably ended in the establishment of central banking. Was the failure of free banking due to "theory," "seignorage"—the attempt by governments to use central banks for revenue purposes—or to "crises"? Would a free banking system be stable, free of crises? This is the crux of the theoretical and historical debate.

In 1984 Lawrence White revitalized the free banking school with the publication of his book, *Free Banking in Britain: Theory, Experience and Debate*.[1] This school holds that free competition between commercial banks, unconstrained by the operations, regulation, and supervision of a central bank, or indeed by any special constraints on the business of banking beyond the standard requirements of criminal (e.g. fraud) and commercial (e.g. bankruptcy) laws, provided superior outcomes to those achieved by present monetary systems, managed and regulated by central banks virtually everywhere. White drew on, and extended, the writings and analysis of some doughty earlier advocates of free banking, including such eminent protagonists as Friedrich Hayek,[2] Vera Smith,[3] Walter Bagehot,[4] and Sir Henry Parnell.[5] More recently the free banking approach has been taken up, and moved forward, by a group of

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enthusiastic economists, including Kevin Dowd, David Glasner, Arthur Rolnick, George Selgin, Roland Vaubel, and Juerg Weber. The two books which form the basis for this review article, *The Experience of Free Banking*, edited by Kevin Dowd (London: Routledge, 1992), and *Free Banking: Theory, History and a Laissez-Faire Model*, by Larry Sechrest (Westport, Conn.: Quorum Books, 1993), are examples of this rapidly growing genre. Advocates of this approach are, of course, keen to make associated policy proposals. Nevertheless, in keeping with the focus of CRITICAL REVIEW on historical and theoretical issues, I shall concentrate here on the free-banking theorists' historical analyses of the performance of earlier free and central banking systems, rather than debating their policy preferences.

Following a brief general introduction by Dowd, and a much longer and comprehensive comparative survey by Kurt Schuler of historical experiences of more or less free banking episodes around the world, *The Experience of Free Banking*, henceforth *EFB*, provides nine chapters on particular historical occasions in various countries, from Australia to the United States, via Colombia, Foochow, and Switzerland, by some eight authors, including White, Selgin and Weber. Sechrest's book, *Free Banking*, henceforth *FB*, extends and develops the analysis and arguments of White's initial work, and even more closely bases itself on Selgin's 1988 book, *The Theory of Free Banking*.[6] Most of Sechrest's book consists of (comparative) analysis of how a "free," fractional-reserve banking system, with its note and deposit liabilities convertible directly into a specie (gold) base, might work as compared with the present central bank/fiat money system, or alternative approaches, such as the 100 percent reserve base (Rothbard-Mises)[7] model, or the Yeager-Glasner[8] indirect convertibility, constant unit of account model. In addition, two historical chapters examine the extent to which Scotland's pre-1845 experience and U.S. free banking between 1837 and 1863 could be described either as "free" or successful.

The inherent strength of the free banking case arises from two main arguments. The first is by analogy, an application of a more general argument to the special case of banking. Free competition, within an infrastructure based on, and circumscribed by, the general rule of law, provides under most (normal) circumstances the most efficient, reliable, and stable basis for our economies. What,

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then, is so different about the business of banking, or of particular aspects of banking, such as note issue, that there is a need for a central bank to monopolize note issue, to control and set the short-term money market rate, and to impose a variety of additional regulations, such as reserve and liquidity requirements, capital adequacy requirements, and so forth, on banks? The second main argument is that central banks have, too often for comfort, made a hash of their job of running the monetary system, either in terms of the macroeconomic objective of price stability or of the microeconomic objective of maintaining a healthy and efficient banking system.

Free banking authors typically argue that experience with central banking compares relatively poorly with that of prior historical episodes of free banking. As Schuler notes (*EFB* 36–37), however, free banking had been superseded by central banking regimes virtually everywhere by about 1914. This leads to the question, which I shall discuss at greater length below, why free banking was abandoned if it was so beneficial and good where it occurred? Furthermore, the present trend is in the opposite direction—to give central banks *more* autonomy and independence from politicians, on the grounds that inflation has been due to the subservience of central bankers to politicians with a short time horizon (an election to win) and/or an exaggerated concern with unemployment. In the United Kingdom, for example, there has been a high-level Roll Committee Report,[9] a recent House of Commons Select Committee Report,[10] and an independent Member's Bill before the House, all recommending greater independence. The Maastricht protocols for the proposed European System of Central Banks are based on the need for central bank independence, both at the level of the European Central Bank and for the national member central banks. The tide has been running in the same direction in New Zealand, South Africa, and Latin America (e.g., Mexico and Chile).

Given these circumstances, free banking is not (yet) taken very seriously by central bankers or by other practitioners, and its advocates are (to be brutal but truthful) viewed as a small fringe sect of academic economists. This has, in fact, been their image since the effective conclusion of the British monetary debate with the passage of the Bank Charter Act in 1844.

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Why Free Banking Died

Free bankers expect the outcomes of "free" markets to be inherently preferable to those achieved through the political mechanism, not least because the latter is quite likely to result in central rather than free banking. Thus, Sechrest claims that "attempts at countercyclical policy (despite their enormous political popularity) have failed to attain their avowed objective" (61); again, quoting James Buchanan, Sechrest suggests that a circumstance "where voters may exert direct pressure on the monetary authority, suffers from the well-known problem of having to satisfy the median voter. . . . That voter tends to be 'myopic' regarding inflation. That is, he has an incentive to place great weight on the short-term gains in terms of employment that he may experience and to have little concern for the long-term harm done to the economy as a whole. The predictable result is an economic environment that is unstable and inflationary" (72). Thus, people voting with their dollars are supposed to be rational and to reach an efficient outcome, but when they vote with their ballots, they may not achieve their own best interests. I have always found it difficult to perceive the logical basis for this dichotomy.

The suggestion that electorates have been unable to realize where their true best interests lay (i.e., in free rather than central banking) is, however, a secondary theme in free bankers' explanations of the demise of free banking and the success (as a continuing institutional practice) of central banking. Schuler addresses this issue straight on in chapter 2 of *EFB* and gives three primary reasons for the end of free banking in some 60 historical cases: "theory," "seignorage," and "crisis." By his count 39 episodes were mainly ended by "theory," including those in Germany, the United Kingdom, Canada, the United States, Australia, New Zealand, and India, as compared with 13 by "seignorage," including France, Italy, Brazil, and China, and 11 by "crisis," including Belgium, Argentina, South Africa, and Japan.

By Schuler's reckoning, then, "theory" has been the main reason for the adoption of central banking. What he means by "theory" is the claim, initially made by the British currency school, that the growth of (some components of) the money stock should be controlled by a rule (e.g., determining the growth of the note issue, or more recently the monetary base) rather than by the operation of a

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free market, as proposed by the free banking school, or by the discretion of a central bank, as proposed by the banking school. Free banking economists tend to regard the currency school and its latter-day successors, the monetarists, with some admiration for having articulated a sophisticated and widely accepted theory. But they regard its reasoning as flawed. One reason they adduce is that the theory has been preoccupied with one part of the money stock (Schuler, *EFB* 33), and hence is susceptible to innovations in the monetary system and breakdowns in formerly stable relationships, such as demand-for-money functions.

Currency school theory was, indeed, largely responsible for the 1844 Bank Charter Act, as was monetarism for the adoption of intermediate monetary targets in the 1970s. But in both cases the fragility of the underlying theoretical apparatus was quite quickly perceived, leading to the suspension of the 1844 Act three times in 1847, 1857, and 1866[11] and to the abandonment of intermediate monetary targets by most countries in the mid-1980s, when stability in the relationship between monetary growth and subsequent changes in nominal incomes and in inflation deteriorated. Thus, the central bank model that countries actually adopted after 1844 was, and remains, a much more discretionary, banking-school institution than that proposed either by David Ricardo or Milton Friedman.

Schuler believes that much of this analysis was simply not understood by economists as of the First World War, "a great divide in free banking history."

> After the war, the 1920 Brussels and 1922 Genoa monetary conferences . . . recommended that central banks be [generally] established. The League's recommendation proved influential. Free banking by then had no significant support among economists. The chief reason appears to have been that economists had little understanding of the difference between free banking and central banking. The controversy over gold versus silver as the monetary standard, and then the debate over the quantity theory of money, diverted attention from the earlier Currency School-Banking School-Free Banking School debates, which, as a practical matter, the Currency School seemed to have won (36–37).

Is the institutional success of central banking indeed largely due to a long-standing analytical failure among economists? Prophets

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unhonored in their own countries, free banking economists have blamed the blindness of their colleagues.

Central Banking and State Self-Interest

Central banks have, in virtually every case, been established by a formal act of government, though in a number of countries this has involved bifurcating an existing main (though again often government-owned) commercial bank which already had been undertaking some quasi-central-banking activities. The fact that central banks are, in this sense, government artifacts is one reason for the Hayekian view that, by the same token, they cannot be part of the natural evolutionary order. Even worse, much of the incentive for governments to found such banks, at least in the early years of central banking (say before 1850), was financial self-interest. Initially the government benefited by requiring its chartered bank to invest most of its capital in government bonds. Furthermore, the chartered bank was often required, as in the case of the Banque de France, to hold interest rates down, which would reduce the interest burden on government debt; and in times of war and other crises, the government would look to the bank for relatively cheap loan finance, irrespective of the condition and proportion of its specie reserves.

If one should date the end of free banking in England to the founding of the Bank of England in 1694, then seignorage would have been the main explanatory cause (out of Schuler's three). In fact, however, Schuler dates the end of free banking in England and Wales to 1844 (and in Scotland and Ireland to 1845). He places the greatest emphasis on the end of commercial banks' freedom to increase their issue of bank notes.[12] This progressive centralization and monopolization of note issue was *not*, however, usually done in order to increase government revenue through seignorage. With the Bank of England being privately owned, and the fiduciary issue limited, the Bank Charter Act was not seen as having much, if any, impact on government access to resources, and the discussions concentrated on theory rather than seignorage. That was also true for most of the other central banks established before 1914, such as those in Germany, Switzerland, and the United States, as Schuler, of course, recognizes; but he claims, unconvincingly, that seignor-

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age *was* the main cause of the abolition of a plurality of note issue in Italy (1894) and Sweden (1901).[13]

Thus the basic case for the monopolization of note issue in central banks had been established by 1914 under gold-standard conditions in which considerations of seignorage were usually either second-order or nonexistent. Moreover, the Brussels and Genoa Conference resolutions in the early 1920s, which Schuler (*EFB* 36) cites as important in generating support for central banking, were passed in the hope and expectation of a quite rapid restoration of the gold standard. Once the gold standard collapsed again in the 1930s, and a regime of fiat money became generally established, seignorage became, once again, significant as a potential source of revenue. But during the decades in which central banking became the dominant system for monetary management, roughly 1844–1935, in my view it is difficult to claim that seignorage, or government cupidity for resources, played much of a major role in such discussions and development.

Accordingly, much of the concern about the role of central banks as mechanisms for raising funds for government, e.g., via an inflation tax, comes either before 1850 or after 1945. But in the earlier periods the government's chartered bank was, and behaved, more as a (grossly) privileged competitive commercial bank than a modern-day noncompetitive central bank. Much of the criticism of the malign effects of the Bank of England and Banque de France on the growth of strong, self-sufficient commercial banking systems in England and France before 1850[14] was not on the grounds that these banks acted as a modern central bank would, but on the grounds that they did not. Many free-banking studies, such as Nataf's paper on free banking in France in the period 1796–1803 (*EFB* ch. 7), comparing conditions before (better) and after (worse) Napoleon's establishment of the Banque de France, as well as some parts of the now numerous exercises comparing the state of commercial banking in Scotland[15] (better, but see Sechrest, [*FB* ch. 5] for some qualifications) and England (worse) before 1845, are of only tenuous relevance to the current debate; central banks, commercial banks, and financial markets have, after all, changed and developed since 1844!

At several points in both books, the case for the superior historical performance of free banking systems rests on a comparison of the gold standard plus free banking against fiat money plus a cen-

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tral bank. Much of the case for the former, e.g., in terms of price stability, seemed to relate more to the gold standard than to free banking. Of course, one cannot have a multiplicity of inconvertible, *legal tender* fiat currencies,[16] so a fiat currency system does require some form of centralized monetary institution. But the two issues are separable and should be separated more scrupulously.[17]

Crisis as the Source of Central Banking

In Schuler's taxonomy, a prior financial crisis was, by his count, the least common of the main reasons given for the end of free banking and the adoption of central banking. I do not accept this tally. Most of the periods of study and debate that eventually led to the generation of theories about banking were provoked by an experience of crisis, including the panic of 1825 in England; the crises under the U.S. National Banking System,[18] culminating in the 1907 crisis; the 1893 crises in Australia and Italy; the 1870 crisis in Switzerland, and so on. The adoption of central banking in Canada was also prompted by a crisis—the Great Depression—even though in Canada this was not specifically a banking crisis.[19] Schuler categorizes *all* of these central banks as being primarily the result of "theory."

It is true that once the main Western industrialized countries had embraced central banking as the best means of dealing with the crises that had stimulated the theoretical debates, they encouraged with evangelical zeal the adoption of similar institutions in other countries over which they had influence. One of the many missions of the indefatigable Professor Kemmerer, to Colombia, is detailed in chapter 5 of *EFB*, by Adolfo Meisel; and Sir Otto Niemeyer was nearly as exercised in taking central banking to the far-flung outposts of the British Empire. But the main impetus had initially been the analysis of how to deal with the experience of *crisis*.

Free bankers disagree strongly either that crises can be cured by establishing central banks, or that they are less likely once central banks are in place. They claim that crises were less frequent under free banking than under centrally controlled banking (e.g., in Scotland vs. England or in Canada vs. the United States); they claim that when such crises did occur under free banking they were due to vestiges of state control (e.g., the requirement in the United States that the notes of free banks be backed by state bonds, which

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could and did fall in price, impairing bank capital,[20] (*EFB* ch. 11 and *FB* ch. 6). They claim that the extent, impact and contagious effects of such crises have been exaggerated; thus Sechrest quotes Rolnick and Weber that "the conventional view [of the evanescence of U.S. free banks] is overstated. In our free banking states, only sixteen percent of the free banks were in business under a year, while the average number of years in business was over five" (99). And they claim that downturns in free-banking economies were due to real shocks to which the free banks had to adjust. This latter thesis is proposed by Dowd (*EFB* ch. 3), who bravely chooses to examine one of the most dramatic collapses in free banking history, in Australia in 1893; he claims that the evidence "does not support the claim that the bank 'crash' contributed in a major way to the severity of the depression" (68).

Frankly I am not convinced. Not only my own historical studies, but my reading of the historical chapters in these two books[21] suggests that, despite the protestations of the authors, worry about the stability of a fractional reserve free-banking system remained a continuing and justifiable cause for concern among both the public and the experts. It is partly a matter of perception: Is the glass half full or half empty? Where I would hope that we might agree is that it was the *perception* by contemporaries that relatively free, fractional reserve banking systems suffered from instability that led to the adoption of central banking. Free bankers can still argue, of course, that this perception was wrong or at least overstated (see the earlier section on theory).

Yet if the perceived crises and failures of "free banking" led toward central banking, then why haven't the apparent crises and failures under central banking, such as the Great Depression in the United States, led in the opposite direction? To some extent they have. Intermediate monetary targets in the mid-1970s were in part a reaction to the monetary disturbances of 1971–74; central bank independence is a proposed answer to recent endemic inflation. But there is possibly a more general answer. Any perceived economic "crisis" is liable to lead to a call, often hurried and ill-considered, for more intervention, rather than less: the "We must make sure that *that* can never happen again" syndrome. Even though crises under a central bank regime may, to some variable extent, be due to shortcomings of the monetary authorities themselves, the standard re-

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sponse will be to give the authorities more statutory power to intervene, not less.

One of the advantages of the earlier chartered bank system was that the charters had a fixed time period. The need for renewal provided an occasion for debate and discussion of such issues, an occasion which would not normally be colored by crisis and its immediate aftermath.

The Theory of Free Banking

In addition to the historical claims that free banking was relatively stable and successful, free bankers also argue that there are theoretical reasons why this should be so. This was the main thesis of Selgin,[22] and the same analysis is presented and extended by Sechrest in chapters 2 and 3 of *FB*. Again I am unpersuaded. I accept that the need to maintain convertibility into gold will provide some limit to the variability of the money stock and credit expansion. So free banking should be stable in the large. But the same would be true for a central bank on the gold standard. Sechrest, however, follows Selgin exactly in claiming that a free bank's demand for reserves "depends not only on the total volume of transactions, but also on the frequency of those transactions" (14). Consequently, the argument goes, if velocity shifts, the money supply automatically responds to restore monetary equilibrium. Thus a free-banking system incorporates a quasi-automatic, self-balancing mechanism. This is implausible. While desired cash reserves should be a positive function of the inherent variability, the variance, of cash flows, especially at the end of the day when adjustment via the money market may be more difficult, they should be negatively related to the *frequency* of transactions (with a given volume);[23] the more small transactions there are, the less likely is it that expected cash reserves will be disturbed by purely random fluctuations in deposits or withdrawals.

More seriously, Sechrest fails to distinguish between the universal *acceptance* of money, as a (possibly very) temporary abode of purchasing power, and the demand *to hold* money. He writes, "the demand for inside money is equivalent to the supply of loanable funds. This stems from the fact that banks make loans by crediting a customer's deposit account. Unless the customer is (at least

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briefly) willing to hold that additional inside money, no new loan can be created" (50). But the customer borrows money in order to *spend* it, not to *hold* it for any longer than is strictly necessary, particularly since the margin between the interest rate offered on deposits and that charged on loans, i.e., the spread, will be adverse. Sechrest ties the market for loans and deposits together, since "deposits represent the supply of credit and loans represent demand for credit" (50), without having to analyze how the two separate markets interact through shifts in relative interest rate differentials and portfolio adjustments by both bankers and their customers.

There is, indeed, little specific attention given to the asset side of bank portfolios; to Sechrest this is just a reflection of the volume of deposits. Since most bank crises result from a fall in the market value of bank assets, I cannot help having some doubts whether Sechrest's model is appropriate to the matter under consideration. His model concentrates purely on the demand and supply of money and the elements in the money multiplier, i.e., the banks' desired reserve ratio and the public's desired currency deposit ratio. Apart from choosing their reserve ratios, bankers appear to do very little in this model. There is no analysis of their asset portfolio choice, apart from their choice of reserve ratio, and there is little or no analysis of what they are trying to achieve (in economists' terms what is their objective function) or how they go about it. There is, to my mind, remarkably little about actual banking in Sechrest's, or Selgin's, model.

Current standard analysis attributes the fragility of (free) banking to the fact that banks have both assets with uncertain, time-varying market values on the one hand, and, on the other, nominally fixed-value deposits whose withdrawal is on a first-come, first-served basis in conditions of limited information. If so, it is essential to assess the determinants of variations in bank asset prices and the nature of the information available to the various players, i.e. to banks, to borrowers, and to depositors. Sechrest fails to do so.

One of the earlier classic works in this field is by Diamond and Dybvig,[24] who stress uncertainty over the volume of deposit withdrawals rather than asset uncertainty. The authors of both books take aim at Diamond and Dybvig's (abstract theoretical) suggestion that bank runs might arise randomly (e.g., *EFB* 30, 113; *FB* 173n14). The concept of such random runs was always more of theoretical

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interest than of practical importance, though I have heard an apocryphal anecdote about a bank run in Hong Kong when a lengthy bus queue was mistaken by other bystanders for a line of prospective cash withdrawers from a nearby bank. Instead, bank runs have much more frequently followed outside (imperfect) assessment of some impairment of banks' asset and capital values and solvency. This is described, and modeled, for example, by Charles J. Jacklin and Sudipto Bhattacharya[25] as an information-based run. While I agree with the authors that the purely random-run model is of little practical relevance, compared with the shock to (perceived) asset value run,[26] that makes me no more sanguine about the stability of the present banking system.

* * *

A monetary system should deliver financial stability. This should entail both macroeconomic price stability and the structural stability of the markets, institutions, and asset values within the system. Price stability *can* be achieved without a central bank by making the liabilities of commercial banks convertible into an object of value. Whether it is better, or worse, to do so than to give an (independent) central bank the responsibility of achieving price stability is a policy issue, which we have consciously eschewed discussing here. As to whether historical evidence and theoretical analysis indicates that a free banking system can deliver structural stability as effectively as a central banking system, the authors have not sufficiently addressed the concerns of those outside their own school.

NOTES

1. Lawrence White, *Free Banking in Britain: Theory, Experience, and Debate* (Cambridge: Cambridge University Press, 1984).
2. Friedrich Hayek wrote a number of papers on this subject, which became one of the main themes of his later years, among them *Denationalization of Money* (London: Institute of Economic Affairs, 1976), *Denationalization of Money—The Argument Refined* (London: Institute of Economic Affairs, 1978), and "Market Standards for Money," *Economic Affairs* 6, no. 4 (1986).
3. Vera Smith, *The Rationale of Central Banking* (London: P.S. King & Son, 1936).
4. Walter Bagehot, *Lombard Street: A Description of the Money Market* (London: Henry S. King, 1873).

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5. Sir Henry Parnell, *Observations on Paper Money, Banking and Overtrading* (London: James Ridgway, 1827). For an evaluation of his role in the debate at the time, see White (62–63).
6. George Selgin, *The Theory of Free Banking: Money Supply under Competitive Note Issue* (Totowa, N.J.: Rowman and Littlefield, 1988).
7. For a presentation of the Rothbard-Mises model, see Murray Rothbard, *The Mystery of Banking* (New York: Richardson and Snyder, 1983); *The Case for a 100 Percent Gold Dollar* (Meriden, Conn.: Cobden Press, 1984); "Aurophobia: Or Free Banking on What Standard?," *Review of Austrian Economics* 6: 97–108; and Ludwig von Mises, *Human Action: A Treatise on Economics* (Chicago: Henry Regnery, 1966), and *The Theory of Money and Credit* (London: Jonathan Cape, 1934).
8. See, for example, from among the papers of Leland Yeager, his joint work with Robert Greenfield, "A Laissez-Faire Approach to Monetary Stability," *Journal of Money, Credit and Banking* 15 (August 1983): 302–15, and his paper "Deregulation and Monetary Reform," *American Economic Review* 75 (May 1985): 103–7. David Glasner's contribution is his excellent book, *Free Banking and Monetary Reform* (London: Cambridge University Press, 1989).
9. Report of an independent panel chaired by Eric Roll, *Independent and accountable: A new mandate for the Bank of England* (London: Centre for Economic Policy Research, October 1993).
10. House of Commons, Treasury and Civil Service Committee, *The Role of the Bank of England, First Report*, 2 vols. (London: Her Majesty's Stationery Office, December 1993).
11. The remark by Schuler (*EFB* 25) that note issue exceeded that permitted by the Act in all three cases is incorrect; suspension itself, by allowing the possibility of such excess, was sufficient to ease the panic in two of the three cases.
12. There is almost as much emphasis upon the importance of the note issue of commercial banks among free bankers as in the currency school. Thus Sechrest (82) states that the 1844 and 1845 Acts "*effectively ended freedom of entry* and the competitive issue of notes" (my emphasis), and White makes almost exactly the same comment (*EFB* 172), but banking institutions that refrained from issuing notes could still enter as freely as before. Given the increasing weight and importance of deposits in the money stock, I cannot help wondering whether the free banking school protests here more than is really warranted.
13. My brief study of the Italian case, and Schuler's own text (38), would suggest that the Banca Romana crisis was the main reason (not seignorage), and I would need some persuasion that seignorage was more important than theory in Sweden.
14. Rondo Cameron, *Banking in the Early Stages of Industrialization* (New York: Oxford University Press, 1967) and idem, ed., *Banking and Economic Development* (New York: Oxford University Press, 1972).

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15. One example of the unwillingness of the early government-chartered banks to act as central bankers was that the Bank of England was slow and reluctant to take on any general responsibility as a lender of last resort. One of the reasons White offers to deny the ultimate dependence of Scottish banks upon the Bank of England (see Sechrest, *FB* 91) was that the Bank did not explicitly consider itself to be a lender of last resort to them during the Scottish free-banking period. True, but the Bank did not consider itself a committed LOLR to the English banks, either. White also claims that, unlike England, Scotland "did not develop an inverted-pyramid structure of specie reserve. It rather maintained a system of 'each tub on its own bottom.' Each bank held onto its own specie reserve" (*EFB* 179). But as he then reveals in footnote 11, these reserve ratios were, by the standards of the time, extraordinarily low in the first half of the nineteenth century, "ranging from 0.5 to 3.2 percent" (186). While he is, I am sure, correct to claim that Scottish banks did not hold much of their reserves directly in Bank of England liabilities, they *did* hold much of their reserves in the form of claims (bills) on the London money market, and the Bank played a significant part in maintaining that market's viability. Sechrest, a critic of White's claims about the purity of the Scottish free banking episode, repeats (*FB* 87) the following passage from Checkland: "The Scottish system was one of continuous partial suspension of payments. No one really expected to be able to enter a Scots bank . . . with a large holding of notes and receive the equivalent immediately in gold or silver. At best, they would get a little specie and perhaps Bills on London" (185).

In my view the touchstone of whether a banking system is a satellite of another separate system and central bank is whether, if the latter either changes regime, or closes, the former system can carry on unchanged. On this criterion White demonstrates that the Scottish system *was*, indeed, a satellite of the London financial center and the Bank of England, as also was that of Ireland (see Bodenhorn, *EFB* ch. 8) and Switzerland on Paris and the Banque de France (Landmann, 1911, "The Swiss Banking Law," Senate Document No. 401, in *Banking Studies in Sweden and Switzerland*, National Monetary Commission, Vol. XVII (Washington, D.C.: Government Printing Office), 13–15. Thus White (*EFB* 181) writes that "upon receiving news of the [1797] suspension, the managers of the four leading banks in Edinburgh at this time . . . met and decided to follow the Bank of England's example. Had they made specie available when the Bank of England refused, they feared English demand would rapidly have drained them of their reserves." Just why White emphasizes *English* demand when the Scottish banks had net claims on England is unclear to me, but the satellite role is confirmed here. The case of Canada, however, remains much more debatable.

16. Sechrest argues convincingly against Hayek's proposals for a system of competitively issued, inconvertible, non-legal tender currencies (*FB*, 6–10).

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17. One argument that crops up occasionally is that the existence of a single, monopolistic central bank might facilitate and encourage a switch by governments from a gold standard to a fiat money regime. I doubt whether this argument ever had much real weight. At the start of World War I belligerent countries switched to fiat money regimes whatever the status of their central bank. Governments have known for centuries how they can, in times of war and crisis, extort command over real resources from seignorage. It is not possible to put that genie back into the bottle. The existence of a free banking system of multiple note-issuing banks, with such notes convertible into gold, might delay the adoption of a fiat money regime on such crisis occasions by a few weeks, perhaps—long enough to print government notes—but not much more (note the behavior of the federal government in the U.S. Civil War).
18. As described by Oliver Sprague in his *History of Crises under the National Banking System* (Washington, D.C.: Government Printing Office, 1910).
19. As noted by Schuler, *EFB* 91.
20. Just what the *Illinois* banks thought that they were doing by securing two-thirds of their notes on *Missouri* bonds (see *EFB*, 212) is not revealed.
21. The one fact that makes me pause uncomfortably is that the Great Depression was as severe in Canada, where no banks failed, as in the United States (Schuler *EFB*, 90–91). If the bank failures were so important in the U.S. experience, as Bernanke, for one, argues, why did Canada suffer just as badly?
22. Selgin (n6 above).
23. Daniel Orr, *Cash Management and the Demand for Money* (New York: Praeger, 1970).
24. Douglas W. Diamond and Philip H. Dybvig, "Bank Runs, Deposit Insurance, and Liquidity," *Journal of Political Economy* 91, no. 3 (June 1983): 401–19.
25. Charles J. Jacklin and Sudipto Bhattacharya, "Distinguishing Panics and Information-Based Bank Runs: Welfare and Policy Implications," *Journal of Political Economy* 96: 568–92.
26. Insofar as the typical bank run is caused by fear of insolvency, rather than simple illiquidity, does that make less attractive as a possible cure for runs Dowd's proposals for granting banks an option clause whereby they can, at the bank's volition, suspend convertibility on the payment of a pre-arranged higher interest rate? If the bank can protect itself from withdrawals for a short, defined period, when its capital is already impaired, would it not have an overwhelming incentive to take on a very-high-risk, potentially-high-return portfolio in the interim? Whether or not these concerns have validity, the question of the desirability of the option clause is a fascinating historical and theoretical issue which deserves continuing attention.

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Thomas A. Horne

LIBERALISM AND THE PROBLEM OF POVERTY: A REPLY TO ASHCRAFT

In Property Rights and Poverty, *I argued that seventeenth- to mid-nineteenth-century liberal theories of the natural right to property included both the ability to exclude others from resources lawfully acquired and the ability to claim as property the resources necessary for life and livelihood. Virtually every defense of the right to exclude written during this period carried limits which allowed and even required the government to enforce the rights of those without resources to the property of others. But although Locke, among others, was a theorist of welfare rights, it is a mistake to describe him as a radical, as Richard Ashcraft does, which identifies Locke's purposes too closely with the legitimately radical theorists of the early nineteenth century who were deeply influenced by his work.*

No author can ask more than to be read carefully and taken seriously, and for reviewing my book in that manner I am grateful to Richard Ashcraft ("Liberalism and the Problem of Poverty," CRITICAL REVIEW 6, no. 4). As Ashcraft correctly notes, *Property Rights and Poverty* was written to demonstrate that "both the libertarian defense and the communitarian criticism of a liberal theory of property rights miss the mark," because "the liberal understanding of property, especially during the classic period of liberal theorizing

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covered in this book, always contained both inclusive and exclusive elements."[1] While liberals historically have defended individual rights to property, they have done so in large part because of the contribution of such rights to the preservation and prosperity of all; in those cases where prosperity came only in the long run or only to a majority, a liberal theory of property has required the use of the government to guarantee some level of welfare to those who in the short run have not benefited. This argument was meant to counter the caricature of liberalism as "possessive individualism" or "atomistic individualism" often encountered in communitarian and socialist thought, as well as to save liberalism from libertarians who deny to the liberal state the legitimate authority to tax some to provide welfare to others. In the period of liberal discussion covered in my book—1605 to 1834—the right to welfare is a far more characteristic feature of liberal theories than an absolute right to property, which is virtually absent from this discussion.

According to Ashcraft, *Property Rights and Poverty* accomplished what it set out to do. "Horne's book demonstrates conclusively," Ashcraft writes, that "the idea that some absolute right to property lies at the heart of liberalism as a political theory, or that private property is a right that the individual holds against the government or the community is, and always has been a myth."[2] "Moreover, Horne's positive claim that liberalism's concern for the welfare rights of the poor is not a recent modification but was, from the outset, a constitutive feature of traditional liberalism" makes *Property Rights and Poverty* "an important book."[3] To these two contributions Ashcraft adds a third. *Property Rights and Poverty* shows that the political history of Locke's theory of poverty, for at least 150 years after its publication, had nothing to do with possessive individualist defenses of inequality in property holdings. Instead, conservatives and radicals alike saw that the implications of Locke's property theory were to extend property ownership to more people, to support proposals to extend the suffrage to those whose property was in their labor, and to limit absolutist claims to land of the kind that would put it beyond the legitimate ability of the government to regulate or tax. "It was the Lockean argument, as Horne rightly notes, that supplied the foundation for a defense of the right to poor relief throughout most of the eighteenth century."[4]

I mention these accomplishments for two reasons. The first is

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simply the fear of a vain author that even an attentive reader might have missed them in Ashcraft's article. The second is more serious. Though Ashcraft approves of the conclusions of the book, he disapproves of the approach. While I started my analysis with the ideas of Grotius, Ashcraft argues that an understanding of liberal theories of property should begin with the Levellers and with (the Leveller) John Locke. For it was in their thought that, for the first time, liberalism had to struggle to reconcile a tension between a commitment to democracy and a commitment to market society. Without denying that this tension is important to liberal politics and liberal theorizing, I was able to reach the conclusions I did primarily because I focused on arguments internal to property rights, especially their origins in natural law, and not on the (all too familiar) relationship between political equality and economic inequality.

The problem with approaching liberalism from the perspective of the tension between democracy and market is twofold. First, it will miss the way liberal discourse in this generally predemocratic period justified aid to the poor. The assumption that began discussions of property in this period was that all people were the beneficiaries of God's grant of the earth to mankind, a grant that guaranteed to all the right to their self-preservation. And whether the active political participation of all was thought necessary to self-preservation, access to some material resources certainly was. The right of the poor to welfare was derived from that premise. Not surprisingly, then, Locke's discussion of property in Chapter 5 of the *Second Treatise* began with this grant and the welfare right to "Meat and Drink, and other such things, as Nature affords for their Subsistence" that it required.[5] It is precisely because the discussion of welfare took place within the theory of property, not political participation, that someone like Richard Woodward could insist simultaneously upon the deference and subordination of the poor and their right to "a competent maintenance." Even in theorists more democratic, the derivation of welfare rights was tied to property rights and not to questions of participation. Thus, Paine's discussion of property in *Agrarian Justice* took place almost entirely within the framework of natural property rights and not in terms of the tension between democracy and market. I began with Grotious, and not the Levellers, because he set out the model of a full property theory that moved from original community to use

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rights, from use rights to property rights, and from property rights to their status in civil society. This structure defined the discussion of natural property rights for the next two centuries.

The second problem with focusing on the tension between democracy and market is more theoretical. So long as the idea of extraordinarily strong, exclusive property rights continued to define liberalism in the minds of its defenders and detractors, the tension between democracy and market presented many with the choice of either jettisoning liberalism and the language of rights that it contains, or accepting a version of it that precludes vigorous government action on behalf of the poor or "dispossessed."[6] Early on in my study it became apparent that focusing on the uniquely liberal idea of a natural right to property promised to provide an understanding of liberalism that both defended exclusive property rights and explained why and when they had to be limited. Because a liberal political theory can justify exclusive property rights only in ways that are consistent with the preservation of human life, with the reason common to us all, and with equality, it will be led almost inevitably to require inclusive or welfare rights under some conditions of material hardship. Thus, in the last chapter I summarize property theories based on consent, labor, and the public good, and the way each derivation of exclusive rights to property must include on its own terms a defense of inclusive property rights.

A liberal system of property rights certainly allows the institutions of a democratic government to regulate and tax to accomplish many of the ends we associate with the public good. But I don't think I am splitting hairs when I say that mine is not a book about how government power may or should be deployed to help the poor; rather, it is about the property rights that people possess, rights to exclude and rights to be included, both of which *must* be protected by a legitimate government.

Ashcraft and I agree about the centrality of Locke's work on property to liberal theorizing about property rights and poverty and we agree that, in general, Locke's discussion of property was understood as providing arguments for those who wanted to extend property and political power to those who did not have either. Especially in the early nineteenth century his theory was used to champion quite radical redistributive schemes.[7] But, whereas I want to distinguish between Locke's intentions in the *Second Treatise* with regard to his property argument and the subsequent ways

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his discussion of property was used, Ashcraft sees a basic continuity between the radical conclusions later theorists drew from Locke and Locke's own "radical" attitude toward property.

My chapter on Locke's theory of property was organized around the relationship Locke insisted upon between property rights and representative government, which struck me, in comparing him to the other major property theorists of the seventeenth century, as unique and important. "The Fundamental Law of Property," according to Locke, was the requirement that the people had to consent through representative institutions to all laws under which they were taxed.[8] Whether he meant that every adult male had to be enfranchised or that a smaller group could consent for all is a question on which I will remain agnostic.[9] In the course of using property for this fundamentally political purpose, Locke also reached some conclusions about property relations themselves. In brief, these conclusions were that the earth and the fullness thereof were given to all mankind for their sustenance, that individuals had rights to exclude others from the property they rightfully acquired under the conditions specified by natural and civil law, that property holdings could become unequal in ways consistent with law, that the government could not rightfully own all the property in a state without violating these rights and inhibiting economic growth, that in civil society laws that regulated and taxed property had to be consented to by representative institutions and directed toward the public good, and that the natural right to sustenance required legitimate governments to take measures to guarantee that no one starved or had to give up his freedom to stay alive. According to Locke, a parish that allowed someone to starve was guilty of a "crime" and a corn seller who refuses to sell to a town in need or "extorts so much from their present necessity as not to leave them the means of subsistence afterward he offends against the common rule of charity as a man and if any of them perish by reason of extortion is no doubt guilty of murder."[10]

Later theorists could and did focus on God's grant of the earth to everyone, on the importance Locke attached to laboring, and on the difficulty within his theory of deriving exclusive rights to land (since land was not the result of anyone's labor), all in order to fashion radical criticisms of economic inequality and poverty. But there is no reason to believe that Locke himself adopted the radical interpretation of his property theory and therefore no reason to

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force too close an association between him and the radicals of the early nineteenth century. Unlike their work, Locke's theory was compatible with the broad outlines (though not every specific practice) of the property relations of his time. I simply do not understand how one of the coauthors of the Constitution of Carolina (1669) could be described as a radical with regard to property.[11] Nor do I think it makes any sense to describe one of the founders of the Bank of England and one of the Commissioners of the Board of Trade in the 1690s as having a radical attitude toward property. Nor does it make sense to me to link too closely the self-consciously working-class radicals of the early nineteenth century with a late-seventeenth-century writer who recommended cutting off the ears of some beggars.

At the end of the eighteenth century and the beginning of the nineteenth, an intellectual combination of utilitarianism and political economy emerged in opposition to the idea that the poor had welfare rights. Jeremy Bentham's attack on the idea of rights as well as his criticisms of the Poor Law were central to this movement. However, what struck me as I read Bentham was his refusal simply to let people starve. According to Ashcraft, I was not sufficiently critical of Bentham, especially of his bizarre and repressive panopticon-workhouse. In truth, I did find it difficult to balance Bentham's refusal to let people starve against his panopticon-workhouse, especially given what seem to be similarities between Locke and Bentham in their treatment of the poor. Both make sweeping statements about the rights of the poor. "The title of the indigent," Bentham wrote, "as indigent, is stronger than the title of the proprietor of a superfluity, as proprietor; since the pain of death, which would finally fall upon the neglected indigent, will always be a greater evil than the pain of disappointed expectation, which falls upon the rich when a limited portion of his superfluity is taken from him."[12] Both Locke and Bentham were appropriated by later, radical critics of inequality. Yet both interpreted the meaning of their own theories in ways that seem excessively harsh to us. Is the panopticon-workhouse so much worse than the conditions set out in Locke's proposal to reform the Poor Law? I do not want to back away from my comment that Bentham's "extraordinary sense of the reality of pain led to attempts to relieve it, rather than to apologetics in which suffering was incorporated into divine intention."[13]

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Contemporaneous with Bentham were writers whose religious perspective led them to view with resignation the suffering of the poor. If I did not convey my contempt for the way someone like Burke, for example, used religion in a blatantly ideological way, it was not from want of trying. Though the following quotation appears after my discussion of Burke, I did expect the reader to apply it to him among others. "Only when market forces were made sacred by a divine author, or present suffering more than offset by the promise of pleasure in the next life, or appeals to history used to protect social institutions from reason could utilitarians keep from making the calculations that demonstrated that order and prosperity were not in danger from the taxes necessary to fund aid."[14] In my view it is Burke's unwillingness to allow government to act when, as he put it in *Thoughts and Details on Scarcity*, the price of labor falls below the price of food, that places him outside the liberal tradition.[15]

The relationship between liberalism and poverty is actually a fairly simple one. Liberalism is both the theoretical and historical enemy of poverty. Its core commitments to individualism, equality, and rationality mean that property relations must meet the requirement of preserving everyone and of allowing no more inequality than is necessary to accomplish the public good. Because exclusive rights to property (generally) enable individuals to realize their own ends and are associated with the growth of prosperity that lifts more and more out of poverty, liberalism requires a system of private property. But no system of private, exclusive rights can be rationally justified to equal individuals if it allows some of them to starve or suffer in order to increase the prosperity or freedom of others. Liberalism asserts that people have rights against any system of laws that, in protecting exclusive rights to property, allows this to happen, just as it asserts that people have rights against laws that deny religious freedom, censor free speech, or allow torture.

NOTES

1. Thomas A. Horne, *Property Rights and Poverty: Political Argument in Britain, 1605–1834* (Chapel Hill: University of North Carolina Press, 1990), 7.
2. Richard Ashcraft, "Liberalism and the Problem of Poverty," CRITICAL REVIEW 6, no. 4 (Fall 1992): 493–516 at 494.

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3. Ibid., 495.
4. Ibid., 507. See also Richard Ashcraft, "Radical Dimensions of Locke's Political Thought," *History of Political Thought* 13, no. 4 (Winter 1992): 742.
5. John Locke, *Second Treatise of Government*, para. 25.
6. A term of analysis given contemporary meaning in Jacqueline Jones, *The Dispossesed: America's Underclass from the Civil War to the Present* (New York: Basic Books, 1992).
7. Horne, 201–251.
8. John Locke, *Second Treatise of Government*, para. 140.
9. See *History of Political Thought*, Spring 1992, for a number of interesting articles, including one by Ashcraft, on this debate.
10. John Dunn, "Justice and the Interpretation of Locke's Political Theory," in *Political Studies* 16 (1968): 68–87.
11. David McNally, "Locke, Levellers, and Liberty," *History of Political Thought* 10, no. 1 (Spring 1989): 17–40.
12. Horne, 175.
13. Ibid.
14. Ibid., 184.
15. Edmund Burke, "Thoughts and Details on Scarcity," in *Works of the Right Honourable Edmund Burke* (London: 1808), 379.

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Richard Ashcraft

EXCLUSIVE AND INCLUSIVE THEORIES OF PROPERTY RIGHTS: REJOINDER TO HORNE

Contrary to Thomas Horne's propensity to consider arguments concerning property rights and poverty as exclusive and self-contained topics within the political discourse of liberalism, they should be seen as part of the defense of democratic and market institutions that is central to the historical development of liberalism. The problems arising from the relationship of property rights to poverty, therefore, need to be included in any assessment of the success or failure of the institutions of a democratic market society to realize their objectives.

Thomas Horne's response to my review essay, "Liberalism and the Problem of Poverty: Reply to Ashcraft" (CRITICAL REVIEW 6, no. 4),[1] first offers an explanation for why, in his *Property Rights and Poverty*,[2] he did not explore the relationship between poverty and property rights and liberalism's defense of market society and democracy, and second defends his interpretation of particular political thinkers in *Property Rights and Poverty*. With one exception, I shall not respond to the second half of his Reply. Such author/reviewer exchanges are not, in general, very interesting or informative, and the readers of CRITICAL REVIEW are perfectly capable of

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assessing for themselves the merits of various interpretive readings of Burke, Bentham, et al. The exception, of course, is Locke, whose thought is central both to the historical discourse of liberalism concerning property rights and poverty, as Horne argues, and to the defense of market society and democracy within the discourse of liberalism, as I maintained in my review essay. Following a few remarks concerning our respective readings of Locke's thought, I will move to a consideration of the theoretical issues relating to the question of what conceptual and historical framework one should adopt in order to grasp the meaning and significance of the problems of poverty and property rights as they appeared to the political thinkers who shaped the discourse of liberalism from the seventeenth to the nineteenth centuries.

I shall put aside the silliness about Locke and the Carolina Constitution in Horne's Reply, which I have addressed at length elsewhere,[3] in order to focus upon the issue of property rights and political power as raised by the *Two Treatises of Government*. Horne professes "not to understand" how Locke "could be described as a radical with regard to property," because of his attitude toward beggars and because he was a charter member of the Bank of England and a member of the Board of Trade (432). Apart from the fact that Horne's comments betray an ignorance of the extent to which Locke's views toward beggars were, contextually speaking, subscribed to by Locke's contemporaries—which, therefore, amounts to a denial that *any* radical views on property existed in late seventeenth-century England—his comments also make clear that, absent a redistributive theory of property, his lexicon will not permit the use of the term "radical" as a characterization of a theory of property rights. This narrow and largely anachronistic definition of "radical," I have argued, obscures both the historical (seventeenth-century) and the developmental meaning of that term.

One question Horne might have asked himself, but did not, for example, was who in the seventeenth century was prepared to assert that, when an individual enclosed or fenced off a piece of property, "if either the grass of his Inclosure rotten on the ground, or the fruit of his planting perished without gathering, and laying up, this part of the Earth, notwithstanding his Inclosure, was still to be looked on as waste, and might be the possession of any other."[4] This proposition is advanced by Locke in the context of his

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defense of productive labor as the means of "making use" of the resources supplied to mankind by God.[5] The cutting edge of that argument is that those who do not labor productively are neither in conformity with God's intentions and commands nor are they promoting the aims of the Law of Nature to preserve mankind in general. Since ownership of land (property)—i.e., merely fencing off the land—is not in itself productive, Locke's argument forms the basis for a morally charged critique of those individuals, whether the idle poor or the idle aristocracy, who do not fulfill their obligations to be productive contributors to the welfare of mankind. "I think," Locke wrote, "everyone, according to what way providence has placed him in, is bound to labor for the public good, as far as he is able, or else he has no right to eat."[6] So one aspect of a radical theory of property is the separation of ownership from productivity and the use of the concept of productive labor to promote the common good as an axis from which to evaluate the activities of various social groups and occupations in Locke's society, as Locke does on several occasions in his notebooks and in his economic writings. The other feature of a radical theory of property concerns its relationship to the exercise of political power, and I will come back to that issue in a moment.

The first reason Horne gives for not paying attention to the relationship between market society and democracy is that such a focus would "miss the way liberal discourse in this generally predemocratic period justified aid to the poor." What Horne has in mind is the right of subsistence or "the right of the poor to welfare" (429). But it is precisely in offering this "reason" that Horne displays the kind of theoretical confusion that characterizes his book. In the first place, the right to subsistence was not a claim uniquely identified with "liberal discourse." Such a right was claimed by Thomas Aquinas and other medieval natural law theorists, and it was defended by Royalists such as the Earl of Clarendon and Thomas Hobbes, as well as by Puritans such as Richard Baxter, and, indeed, by a large number of Locke's contemporaries who would not, by any ordinary definition, fall within the parameters of "liberal discourse," as Horne employs that term. Secondly, it is clear that the right of subsistence was compatible with many different theories of property—those of Hobbes, Grotius, Baxter, Clarendon, Locke, et al.—so that to speak loosely of "the theory of property" (429), as Horne does when discussing the right of subsistence, obfuscates

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rather than explicates the meaning of "property rights." What we need to know is not merely whether the right to subsistence was compatible with a natural law perspective (Aquinas) or a defense of self-preservation (Hobbes) or an original community of property based upon use (Grotius), but how an argument characteristic of "liberal discourse" emerged as a peculiar synthesis of concepts and beliefs subscribed to by seventeenth-century thinkers.

Locke addresses all of these points in the *Two Treatises*, linking natural law obligations with a right to use common property in the context of social relations based upon subsistence in the state of nature (e.g., the Indians in America), but he also stresses a broad definition of "property"—life, liberty, and property—and the importance of productive labor. The latter concept, however, presents a problem in so far as it is, initially, tied to the concepts of "use," subsistence, and consumption. If Locke's argument stopped here, his theory of property rights would be restricted, as he recognizes, by the limits of familial consumption.[7] He therefore extends the meaning of "use" and of productive labor to the activity of trade. Now we have an expansive definition of property rights based upon the exchange of goods, money, commerce—in short, market society—that incorporates the precepts of natural law, the rights to subsistence and self-preservation, individual autonomy (as the foundation for the concept of productive labor), and exclusive property rights into a defense of market society. The latter rests upon Locke's belief that trade benefits everyone in society, so that the encouragement of trade by the government fulfills Locke's natural law requirement that political power be employed for the public good. It is this argument that Locke bequeaths to "liberal discourse," and which is taken up by Adam Smith and later liberals. In short, if "liberal discourse" emerges with Locke's theory of property rights, it does so in the context of a defense of market society as, at least, an implicit solution to the problem of poverty.

Horne's second reason for not linking a discussion of liberalism to market society and democracy is so unclear as to make a reply to his position extremely difficult to formulate. On the one hand, he is concerned "to provide an understanding of liberalism that both defended exclusive property rights and explained why and when they had to be limited." But this "explanation" simply repeats the point that the inclusionary right to subsistence constitutes a limit on exclusive property rights (430). Yet, in the history of "liberal

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discourse," that is not the only—or perhaps, even the main—limit on exclusive property rights that liberals worried about. They also were concerned to establish the limits of governmental interference with exclusive individual property rights. This question makes the issues of the distribution of political power, the legitimacy of government, the relationship between "property" and political power, and the conditions and purposes of taxation central to the discussion of property rights, and not a peripheral matter in a book devoted to that topic.

I argued that Locke's broad definitions of property and property rights and his definition of a "freeman" in terms of equality, age, and reason—rather than the ownership of property—supplied the basis for a democratic distribution of political power. (This is the second feature of Locke's radical theory of property rights—to which I referred above—which seems to have escaped Horne's notice.) Locke's political commitment to a defense of an elected legislative assembly (Parliament), to popular sovereignty, and to the right of popular resistance, as well as his defense of religious freedom, the right to free speech, free assembly, and free press in the context of his advocacy of religious toleration, constitute the core values of liberal democratic theory. So, once again, one must ask, why should one extract Locke's theory of property rights from its political context, as Horne's Reply suggests? Such a myopic view not only makes it difficult to understand Locke's political thought, but it inhibits our understanding of the tradition of liberalism, which is characterized by an ongoing debate regarding the extent to which individual property rights could be limited by the democratic exercise of political power. And it means that insofar as some eighteenth- and nineteenth-century liberals viewed poverty as a political rather than an economic problem, Horne fails to appreciate the extent to which a reform of government in the direction of a more equitable, democratic distribution of political power was taken by some liberals to be the solution to the problem of poverty. Hence, when Horne refers to the rights that must be protected by a "legitimate government," he writes as though provision for poor relief were the only criterion of legitimacy (430), when, of course, Locke includes but moves beyond this definition in order to defend a notion of legitimacy that presupposes the values, beliefs, and practices that we have come to associate with democratic government.

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Thus, we are left with a choice between a narrow exclusionary view of property rights as a self-contained topic and an inclusionary view of property rights as embedded in a larger network of economic and political problems. Professor Horne wants to remind contemporary liberals that claims for individual property rights have, historically, presupposed that the basic needs of all members of society will be met. What I have sought to emphasize is that the confidence of liberals that the institutions associated with a market society or a democratic distribution of political power can, in fact, meet these needs is belied by the record of historical failure. Hence, even if contemporary liberals come to recognize their social obligations to provide for the poor, *pace* Horne, such a recognition is not likely to lead to the solution of the problem of poverty without a serious rethinking of liberalism's conception of how and why society is structured as it is.

NOTES

1. Richard Ashcraft, "Liberalism and the Problem of Poverty," CRITICAL REVIEW 6, no. 4 (Fall 1992): 493–516.
2. Thomas Horne, *Property Rights and Poverty: Political Argument in Britain, 1605–1834* (Chapel Hill: University of North Carolina Press, 1990).
3. Richard Ashcraft, "Simple Objections and Complex Reality: Theorizing Political Radicalism in Seventeenth-Century England," *Political Studies* 40, no. 1 (1992): 99–115 at 108–9.
4. John Locke, *Two Treatises of Government*, ed. Peter Laslett (Cambridge: Cambridge University Press, 1967), *Second Treatise*, par. 38.
5. Ibid., pars. 30–38.
6. *The Works of John Locke*, 9 vols. (London, 1824), vol. 8, 332.
7. Locke, *Second Treatise*, par. 48.

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Greg Hill

MISREADING KEYNES: REPLY TO GARRISON

In the concluding chapter of The General Theory, *Keynes offers a vision of socialized investment, which, according to Allan Meltzer, informs Keynes's entire analysis and critique of laissez-faire capitalism. Roger Garrison adds a critical dimension to Meltzer's interpretation, contending that Keynes's vision of the "comprehensive socialisation of investment," with its zero rate of interest, is utopian, thereby weakening Keynes's case against real-world capitalism. This paper defends Keynes, arguing that Garrison and Meltzer misconstrue both Keynes's theory of interest and his proposed socialization of investment. The paper criticizes Garrison's justification of interest earnings as "a reward for waiting," provides an alternative account of the economic arrangements implied by socialized investment, and, more generally, argues that Keynes's economic analysis shaped his social vision, not vice versa.*

According to Allan Meltzer's interpretation, *The General Theory of Employment, Interest, and Money* is best understood against the background of Keynes's inchoate vision of an economy in which investment is fully socialized. On this understanding, which is embraced by Roger Garrison ("Keynesian Splenetics: From Social Philosophy to Macroeconomics," CRITICAL REVIEW 6, no. 4), Keynes held that "the comprehensive socialisation of investment" would drive the

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interest rate to zero, thereby eliminating interest earnings and assuring the maximum level of investment, employment, and output. It is this vision which, on Meltzer's account, informs Keynes's criticism of real-world capitalism, and which, on Garrison's gloss, is so utopian as to altogether blunt the thrust of the Keynesian critique.[1] My aim in this brief response is to defend Keynes against some of the criticisms leveled by Garrison and, along the way, to show that it was Keynes's economic analysis that gave rise to his social vision, not vice versa.

Garrison, Keynes, and the Rate of Interest

According to Garrison's reading of Meltzer, the key to Keynes's critique of capitalism is the idea of a "socially unnecessary lender's risk" that "rides piggy-back" on the borrower-entrepreneur's project risk. Under Keynes's "comprehensive socialisation of investment," as Garrison interprets this phrase, the lender's risk would be eliminated (borrower and lender now being the same agent), and the need to pay interest thereby abolished.[2]

Now it is certainly possible to imagine a prospective lender who, in considering the purchase of a firm's bonds, forms an expectation of the company's prospects so as to convince himself that default is unlikely. In this sense, it is fair to say that the lender's risky expectation rides "piggy-back" on the borrower's prospective risk. But this description bears little resemblance to the portrait of the investor-speculator who is fundamental to Keynes's theory, and who, in deciding whether to purchase bonds, is entirely preoccupied with the future direction of interest rates.[3] For Keynes, it is not the difficulty of judging the business acumen of the borrower-entrepreneur that gives rise to the lender's risk and, hence, to the payment of interest. Rather, it is the sheer uncertainty surrounding the future course of interest rates, which will determine the value of the investor's holdings at the time he wishes to liquidate them, that accounts for the payment of interest.[4] And the source of this uncertainty is not the financial community's piggy-back expectations of entrepreneurial prospects, but the fact that the interest rate's only center of gravity is a vague convention concerning the "normal" rate of interest.[5]

On the interpretation of Keynes advanced by Garrison and

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Meltzer, the rate of interest is partially unhinged from objective economic conditions via the twice-removed expectations of lenders. In *The General Theory*, however, the interest rate is completely severed from the real forces of productivity, its level fluctuating more or less independently of changes in the real returns to plant and equipment. Indeed, it is precisely because he regarded the rate of interest as a conventional, and not a natural, rate that Keynes rejected theories wherein an equilibrium between the real rate of return and the monetary rate of interest is necessarily consistent with full employment.[6] And it is this same rejection of a natural rate of interest, rather than the hypothetical elimination of a "socially unnecessary lender's risk," which led Keynes to believe that "it is to our best advantage to reduce the rate of interest to that point relatively [*sic*] to the schedule of the marginal efficiency of capital at which there is full employment."[7]

Saving, Interest Earnings, and the Reward for "Waiting"

Garrison claims that Keynes's theory of interest ignores the legitimate role played by time preference in real-world capital markets. Human beings prefer present to future benefits and therefore demand compensation for deferred consumption. According to Garrison, "Keynes gained little ground in his attempt to denigrate this broadly shared understanding of the economics of interest."[8]

This criticism is open to objection. To begin with, it begs the question by simply asserting the pre-Keynesian view that interest earnings are the reward for not consuming. Keynes attacked this view, first of all, by pointing out that the person who sets a portion of her income aside, holding it in the form of money, earns no interest at all, even though she postpones the consumption of her wealth. Interest earnings cannot, then, be explained as the reward for deferred consumption. Rather, on Keynes's account, interest is the compensation received for parting with liquidity for a specified period of time, that is, for not hoarding.[9]

In the second place, Keynes argued that the quantity of savings is mainly a function of income, not of society's rate of substitution between present and future consumption. Thus, changes in the rate of saving are driven neither by changes in the public's rate of time preference, nor by changes in the rate of interest. Rather, the quan-

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tity of savings is determined by changes in the level of income, a proposition that arguably fits the facts more comfortably than the two alternatives mentioned above.[10]

These arguments are directed against the view, endorsed by Garrison, that interest income is the reward for "waiting." But not only did Keynes attack this particular justification of interest earnings, he went on to challenge the social utility of thrift itself. Consider the following passage from *The General Theory*:

> An act of individual savings means—so to speak—a decision not to have dinner to-day. But it does *not* necessitate a decision to have dinner or to buy a pair of boots a week hence or a year hence or to consume any specified thing at any specified date. Thus it depresses the business of preparing to-day's dinner without stimulating the business of making ready for some future act of consumption.[11]

In this passage, Keynes draws attention to two difficulties that trouble a decentralized market economy. First, there is no coordination between decisions to save and decisions to invest. And second, because there is no such coordination, the effect of an individual act of saving is not to increase aggregate investment, but to decrease aggregate income. Keynes's egalitarian social vision has much more to do with this macroeconomic analysis of saving than with the notion of a "socially unnecessary lender's risk," for this analysis undermines the (still popular) view that economic progress requires the existence of a social class whose great fortune makes savings and investment possible. This view notwithstanding, Keynes reasoned that a redistribution of wealth would increase the propensity to spend and, therefore, the inducement to invest.[12] Take note, finally, that it is the economic analysis that produces the social vision and not the other way around.

The Socialization of Investment

Given the role assigned by Keynes to the convention of a "normal" rate of interest in the determination of the actual interest rate, it is hard to follow Garrison in imagining the interest rate being reduced to zero. On Keynes's account, the further the interest rate falls, the greater the number of investors who believe it will soon rise, which in fact makes it rise.[13] Moreover, there is no guarantee

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that, in a market economy, a zero rate of interest will induce the level of investment necessary to eliminate unemployment. When economic conditions are seriously depressed, the entrepreneur's prospective rate of return may be less than zero; that is, any investment may promise only losses. For these reasons, the identification of Keynes's "comprehensive socialisation of investment" with a zero rate of interest must be rejected.

It is more fruitful to interpret this idea by focusing not upon the interest rate, but upon the marginal efficiency of capital, in other words, the entrepreneur's expected rate of return on new investment. One way of approaching the problem is to notice that, on Keynes's account, when there are unemployed resources, the marginal efficiency of capital lies below the social rate of return on new investment. In brief, the individual entrepreneur who invests under depressed conditions fails to capture any, or almost any, of the economic benefits that are generated by the multiplier. Although Keynes never put it this way, investment would be effectively socialized if each firm's management invested with an eye toward the social, rather than the private, return on investment. Of course privately owned firms have no incentive to act in this way. But if the economy's largest firms were publicly owned, this decision-making rule could then be implemented and the volume of investment thereby socialized.

While this is a genuinely socialist elaboration of Keynes's brief remarks on the socialization of investment, there is another alternative which relies not on public ownership of private enterprise, but on public coordination of private investment. During a slump, investment decisionmaking poses the following collective action problem: the low-risk strategy for each firm is to defer investment until a recovery is clearly underway, but the collective outcome of this strategy is continued stagnation. If, however, all firms invest simultaneously, they create demand for one another's products and therefore increased returns for themselves. The state, by coordinating the investment decisions of the economy's largest firms, could, in this way, determine the overall volume of investment and therewith the level of employment.[14]

The schemes outlined above have their obvious shortcomings. But if the volume of investment could be coordinated as I have described, the consequences would be entirely consistent with Keynes's social vision, which is simply to say that the resulting

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increase in the capital stock would lead to "the euthanasia of the cumulative oppressive power of the capitalist to exploit the scarcity-value of capital."[15]

To say that an economist's social vision shapes his or her economic theory can be an indirect way of saying that the underlying analysis is wrong. So it is with Garrison's reading of Keynes (though, it should be noted, less so with Meltzer's account). A more sympathetic reading of Keynes suggests that his vague notion of an economy in which investment is fully socialized and income more equally distributed is a conclusion drawn from his economic analysis, rather than being its premise.

NOTES

1. Roger W. Garrison, "Keynesian Splenetics: From Social Philosophy to Macroeconomics," CRITICAL REVIEW 6, no. 4 (Fall 1992): 471–92. Garrison is commenting on Allan H. Meltzer, *Keynes's Monetary Theory: A Different Interpretation* (Cambridge: Cambridge University Press, 1988); John Maynard Keynes, *The General Theory of Employment, Interest, and Money* (New York: Harcourt, Brace & World, 1935).
2. Garrison, 479.
3. Keynes, ch. 15.
4. Ibid., 201–2.
5. Ibid., 202–4.
6. Ibid., 242–44.
7. Ibid., 375.
8. Garrison, 480.
9. Keynes, 166–67.
10. Ibid., 93–98.
11. Ibid., 210, emph. in original.
12. Ibid., 372–74.
13. See n5 above.
14. I describe, in a bit more detail, how the state might coordinate the volume of private investment in "From Recession to Recovery: A Prisoner's Dilemma and Its Solution," *Challenge* (January–February 1993): 61–62.
15. Keynes, 376.

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David Felix

INTERPRETING KEYNESIAN INSTINCT AND KEYNESIAN THEORY: REPLY TO GARRISON

Roger Garrison's commentary on Alan Meltzer's interpretation of Keynes and Meltzer's interpretation itself are closer to each other and further from Keynes's sense than one might imagine. Keynes's logic rests on an unsubstantiated guess, as Keynes admitted, about the tendency for consumption to stagnate in an advanced economy; and on the nonsensical proposition that the possessors of loanable funds are unilaterally able to determine the cost of those funds outside *of the supply-and-demand financial market.*

Roger W. Garrison's excursion into Keynes's "splenetics" ("Keynesian Splenetics: From Social Philosophy to Macroeconomics," CRITICAL REVIEW 6, no. 4), usefully emphasizes the seductive nonrational element in *The General Theory* as innocently revealed in Allan H. Meltzer's *Keynes's Monetary Theory: A Different Interpretation.*[1] Revealingly, Garrison mentions that a discussion of the manuscript by 16 economists preceded its publication. So many interpretations make for a remarkably inky octopus soup of meaning.

The exercise shows how the exponentially expanding number of interpretations has buried Keynes's sense. The interpreters have invested too much time and thought in conversing with each other—and too little in reading *The General Theory* itself.

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The essential sense of *The General Theory* can be put in a few sentences—*Keynes's* sentences. Keynes argued that a modern economy's inevitable and distinctive stagnation and unemployment were caused by insufficient consumption (and the concomitant excessive saving) and the production-inhibiting height of interest rates. In regard to the first point, however, he granted the possibility that the consumption/saving proportion might not change with the increasing wealth of the advanced economy. With that he let his consumption argument perish before the attentive reader's eyes.[2] About the interest rate, a much more complex issue, Keynes gave away his argument in one sentence: "The rate of interest . . . being the reward for parting with liquidity, is a measure of the unwillingness of those who possess money to part with their liquid control over it."[3] While he developed this thesis variously, it remains the essence of his interest theory: the possessors of money, thus the lenders, impose their valuation of the use of the money on the entrepreneurial borrowers. Since that valuation, the *liquidity preference* in his lapidary phrase, is excessive and since the entrepreneurs are excluded from the bargaining process, the interest rate is too high to permit maximum employment of workers and resources. The economy is thus doubly doomed: the whole of *The General Theory*'s pure theory is based on one admittedly unproven and one nonsensical proposition. Neither Garrison nor Meltzer addresses the fundamental text directly.

Because of one compelling contemporary argument—the Great Depression—and one long-term factor—the government's increasing economic importance—Keynes's genial seductions have overwhelmed sensible skepticism toward the pure theory. Indeed the exquisite rationalizations required by Keynes's economic model have created an ever-expanding literature that feeds on itself, as demonstrated by Garrison, Meltzer, and others.

The differences between Garrison's and Meltzer's views are minor compared with their joint distance from Keynes's actual thought. They have failed to recognize that his pure theory is the purest piffle.

Garrison, however, is onto something in his section, "Keynes as Socialist" (479–82), uncomfortably so for him and all of us. Here is where Keynes's realistic sense of the modern world's character validates itself. Because of economies of scale (which he explicitly excluded from *The General Theory*),[4] big business has gotten bigger

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and government, partly in self-defense and partly because it has become the biggest business in town, has had to accept unqualified responsibility for the economy: socialism, however euphemized and moderated. Anticipating and favoring this, Keynes correctly called himself a "democratic socialist" (although he gave only a few hints of the character of his socialism), and *The General Theory* urges us in this direction (although with false arguments centering on stagnation).

Yet Keynes was wise enough to see the darker side of the socialist development. Friedrich von Hayek's *Road to Serfdom* warned that even soft socialism, and not merely the Leninist-Stalinist variant, was a road to it. On June 28, 1944, Keynes wrote to Hayek about Hayek's book and defended the need for governmental planning. He rather weakly hoped that persons "who share your moral position" would defend against a socialist invasion of liberty. "It is a grand book," he wrote. He could not accept "all the economic dicta in it," but he added, "morally and philosophically I find myself in agreement with virtually the whole of it; and not only in agreement with it, but in a deeply moved agreement."[5] It is this Keynes, true in instinct and realistically in equilibrium with economics *and* politics, that his many interpreters have passed over ignorantly or silently.

NOTES

1. Allan H. Meltzer, *Keynes's Monetary Theory: A Different Interpretation* (Cambridge: Cambridge University Press, 1988).
2. J. M. Keynes, *The General Theory of Employment, Interest, and Money* (London: Macmillan, 1936), 97: Increasing wealth and the satisfaction of "primary needs . . . will lead, as a rule, to a greater *proportion* of income being saved as real income increases. But whether or not a greater proportion is saved. . . ." Later, in two letters, Keynes admitted he had no data supporting a proportional decrease in consumption: Keynes, *Collected Writings*, vol. 14 (hereafter *CW*) (London: Macmillan, 1971–89), 271–77. I discussed this in "Consuming Our Way to Greater Well-Being: Theory and History," CRITICAL REVIEW 3, nos. 3–4 (Summer-Fall 1989): 589–99; to my knowledge no one attempted a rebuttal.
3. Keynes, *The General Theory*, 167.
4. Ibid., 245: "We take as given . . . the existing quality and quantity of available equipment, the existing technique, the degree of competition. . . ."
5. Keynes, *CW*, vol. 27, 385–88; quotations at 385.

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Roger W. Garrison

HIGH INTEREST, LOW DEMAND, AND KEYNES: REJOINDER TO HILL AND FELIX

Keynes's theory of interest is central to his broader argument. However, short-run policy, which takes the so-called normal rate of interest as given and aims at affecting the prevailing rate, must be distinguished from long-run reform, which aims at changing the normal rate. The low demand that Keynes associated with high interest was believed to be inherent in a decentralized, consumption-oriented economy. Consequently, he advocated reform in the direction of central control. Despite his "moral and philosophical" agreement with Hayek's Road to Serfdom, *Keynes differed fundamentally from Hayek in terms of their contrasting perceptions of the market's shortcomings and their judgments about the government's potential for improving the economy's performance.*

Both Greg Hill ("Interpreting Keynesian Instinct and Keynesian Theory: Reply to Garrison," CRITICAL REVIEW 8, no. 3) and David Felix ("Misreading Keynes: Reply to Garrison," ibid.) call attention to the liquidity-preference theory of interest in their discussions of Keynes's *General Theory*, Meltzer's interpretation of it, and my essay on Meltzer. Both draw from Keynes's chapter 13, "The General Theory of the Rate of Interest," which argues that interest is "the reward for parting with liquidity,"[1] or "the compensation received

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for parting with liquidity for a specified period of time, that is, for not hoarding."[2] But this critical aspect of Keynes's analytical framework is highlighted by the two commentators for radically different reasons. Hill defends the liquidity-preference theory on his way to arguing that the market has no mechanism to govern the rate of investment—and that government should step in and fill the void or, at least, lead the way. Felix points to a single sentence that captures the essence of the liquidity-preference theory as conclusive evidence that Keynes's views on interest-rate determination are "nonsensical" and that "his pure theory is the purest piffle." Both commentators hint that I have misread or not read Keynes.

High Interest

Keynes's liquidity-preference theory of interest, which was the focus of the earliest critical analysis, follows almost trivially from his idiosyncratic way of framing the issue. Individuals earn incomes which permit them to buy goods and interest-earning assets and to hold money. Keynes formulates his theory by imposing a particular sequence on the income-earner's decision process:

> The psychological time-preferences of an individual require two distinct sets of decisions to carry them out completely. The *first* is concerned with that aspect of time-preference which I have called the propensity to consume, which . . . determines for each individual how much of his income he will consume and how much he will reserve in some form of command over future consumption.
>
> But *this decision having been made*, there is a further decision which awaits him, namely, in what form [i.e., interest-earning assets or money] he will hold the command over future consumption which he has reserved. . . . [emphasis altered][3]

For Keynes, the decisions about how much to spend, how much to put at interest, and how much to hold liquid are made *seriatim.* And the particular sequence posited seems to suggest a liquidity-preference theory of interest. Dennis Robertson noted this strange manner of theorizing early on: "Such loose phrases as that interest is not the reward for not-spending but the reward for not-hoarding seem to argue a curious inhibition against visualizing more than two margins at once."[4] Robertson's own argument was

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that if we do allow ourselves to visualize three margins simultaneously, we can see that Keynes's liquidity-preference approach and the more conventional loanable-funds (or time-preference) approach are largely, if not wholly, complementary. Although time-preferences are mentioned twice in the quoted passage, they get completely dissociated from the rate of interest by a preliminary and allegedly interest-independent decision about present consumption, which leaves for a subsequent decision one option that pays interest and one that does not. The fact that Keynes failed to realize that the seemingly revolutionary character of the liquidity-preference theory critically hinged on an arbitrary and somewhat contrived notion about the sequence of decisions lends some support to Felix's characterization of Keynes's pure theory.

An implicit acceptance of Keynes's two-margins-at-a-time formulation underlies Hill's restatement of Keynes's argument: "The person who sets a portion of her income aside, holding it in the form of money, earns no interest at all, even though she postpones the consumption of her wealth. Interest earnings cannot, then, be explained as the reward for deferred consumption" (Hill 3). A different argument would result, however, from focusing on a different pair of margins: if she were to part with liquidity in order to increase current consumption, she would earn no interest by so doing. Must we not conclude, then, that interest earnings cannot be explained as the reward for parting with liquidity? Clearly, if we allow for adjustments at all margins, the choice of any one of the three options (goods, interest-earning assets, or money) entails forgoing the other two.

Outside the context of Keynesian theorizing (in which the relevant second choice is between money, narrowly defined, and a perpetual, or at least long-term, interest-earning asset), it can easily be seen that parting with liquidity is neither necessary nor sufficient for earning interest. Trading liquidity for consumption goods, as indicated above, demonstrates the insufficiency. Trading money for (highly liquid) Treasury bills demonstrates the nonnecessity. If the T-bill rate is the reward for parting with the (small) liquidity differential separating money from T-bills, while the spread (possibly zero) between T-bills and the market rate of interest is the reward for a more dramatic parting with liquidity, then we have an extremely skewed and curious reward structure.[5] Further, Keynes's willingness to define money broadly as well as narrowly works

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against his theory of interest. It may sometimes be convenient, as Keynes suggests, to include time deposits and even Treasury bills and other short-term debt instruments in our concept of money.[6] But what happens to the liquidity-preference theory when we can have our money and earn interest too?

Pre-Keynesian economists felt themselves justified in treating the tradeoff between present consumption and deferred consumption as fundamental. This tradeoff is pervasive even in barter economies. Ends achievable today may be sacrificed in favor of means that will not achieve ends until much later. Robinson Crusoe, like the members of primitive trading societies, makes choices that imply a comparison of values over time. These intertemporal value comparisons can be summarily described in terms of a rate of interest. The introduction of a medium of exchange facilitates trade by creating the option of trading for nothing-in-particular, which can then be traded—either immediately or some time later—for a specific object of value. The use of money adds a new dimension to economic decisionmaking and to economic theorizing, but to take the rate of interest as reflecting the price of nothing-in-particular—or the reward for parting with it—is to mistake the facilitator for the more fundamental objects of exchange.

My exposition of "Keynesian Splenetics" departs from textbook Keynesianism and from Meltzer's "different" interpretation by incorporating the hard-drawn liquidity-preference theory. I take Keynes to be claiming that the interest rate is determined by monetary factors alone.[7] It can influence—but cannot directly be influenced by—the rest of the economy. The supply and demand for money determine the current equilibrium rate of interest; the supply of money is set by the central bank; and the demand for money depends (exclusively) upon anticipated changes in the interest rate. Keynes's rate of interest is completely severed (in one direction) from the real economy, as Hill correctly notes and as was emphasized early on by Robertson: "The interest rate is what it is because it is expected to become other than what it is."[8]

Hill indicates that "it is hard to follow Garrison in imagining the interest rate being reduced to zero" (444). It is not necessary, however, that he follow me; he need only follow Keynes from his prescriptions of policy to his recommendations for reform. In the short run, the central bank can influence the rate of interest by manipulating the supply of money. Conventional wisdom about

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what constitutes a "normal" rate of interest governs speculation about likely movements in the interest rate and hence determines the current demand for money. Given these demand considerations, an increase in the money supply will—within limits—put downward pressure on the interest rate. As a general policy prescription, the central bank should provide whatever amount of money may be required to fully satisfy people's propensity to hoard, so that their hoarding will not drive up the interest rate and discourage investment.

While policy is implemented through money-supply adjustments, reform is based on considerations of money demand. In the long run, a comprehensive socialization of investment can reduce risks, according to Keynes, and hence can reduce the so-called normal rate of interest. In this way, the "rest of the economy" does influence the interest rate. It has become standard fare in textbooks that an extremely interest-elastic demand for money (the liquidity trap) may put a strict lower limit on reducing the interest rate (meaning the equilibrium rate, given a conventional wisdom about the normal rate). Monetary expansion may push the interest rate down to its liquidity-trap level without stimulating enough investment to fully employ the economy's labor force. But the Keynes of chapter 24 holds out hope for fundamental reform that can reduce both the normal rate of interest and the marginal efficiency of capital virtually to zero within one or two generations. In an earlier chapter, he gives the time frame as a single generation.[9]

With zero as the supposed ideal, any positive rate of interest, whether attributable to expectations that the interest rate will rise toward its normal level or to the socially unnecessary risks that are reflected in the normal rate itself, must be judged as "too high." But the belief that a zero rate of interest is possible flies in the face of the time-preference theory, which holds that values lying in the future are systematically discounted. Robertson's judgment that the liquidity-preference and time-preference approaches are complementary cannot be extended to Keynes's chapter 24 or to the passages in earlier chapters that anticipate this final chapter.

One difficulty in reading and interpreting Keynes stems from his intermingling propositions that have immediate implications for policy with propositions that presuppose fundamental reform. Meltzer's book helped me overcome this difficulty by highlighting the distinction between what is commonly called Keynesian Hy-

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draulics, in which monetary and fiscal policies inject spending flows and stem leakages within the existing institutional setting, and what I have called Keynesian Splenetics, in which reforms that make the investment sector more public-minded change the setting.

Low Demand

Both Hill and Felix point to another aspect of Keynes's theory, namely, the supposed waning of spending propensities as wealth increases, as critical to interpreting his message. As people earn higher incomes and accumulate wealth, their spending does not increase proportionally. The increasing gap between spending and earning works as a drag on the economy. Each year investment spending needs to rise in order to turn the increased savings into more income, but it is likely to fall in anticipation of a still further weakening of consumption demand. According to Hill, "Keynes reasoned that a redistribution of wealth would increase the propensity to spend and, therefore, the inducement to invest" (444). This aspect of Keynesian theory is offered as evidence that "it is the economic analysis which produces the social vision and not the other way around." Felix characterizes the notion of spending waning with wealth as an "unproven . . . proposition" (448), and argues elsewhere that the supposed relationship between spending propensities and wealth levels was no more than an assumption and that modern empirical research reveals a lack of supporting evidence.[10]

The general notion that the economy is beset by demand deficiencies—whether or not these deficiencies are believed to increase proportionally or only absolutely with income—has given scope to alternative interpretations of Keynes's central message. Is the widespread unemployment of labor and of other resources ultimately attributable to the mispricing of these factors of production—and to a corresponding mispricing in product markets? Or does the deficiency persist even when the economy is in equilibrium (in the sense of market clearing) in both factor and product markets? Keynes's willingness to state the problem by

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comparing the business of pyramid building in ancient Egypt to the business of railway construction in modern England suggests that his theory did not hinge on the difference between equilibrium and disequilibrium. "Two pyramids, two masses for the dead, are twice as good as one; but not so two railways from London to York."[11] They are twice as good not because pyramid markets clear while railway markets do not but because two—or 20—can be ordered up from on high independent of any waning of consumption propensities. The ultimate solution to the problem of demand deficiencies, then, is not to be found in policies that encourage wage and price flexibility or even in monetary and fiscal policies that add to total demand. The ultimate solution, in Keynes's final reckoning, is reform in the direction of a command economy. This is the general thrust of Keynesian Splenetics.

Hill finesses the critical question about the nature of demand deficiency. Whether the spending gap is conceived as a disequilibrium or an equilibrium phenomenon, Hill sees a vital role for government in leading the business community back to full employment. During a slump, an individual firm that expands its operations would be doing more good for society than would be reflected in its profits. But, expecting modest profits at best and fearing losses in the event that no general economic expansion develops, each individual firm is unlikely to expand. The role for government, then, according to Hill, is one of converting some of the largest firms to public ownership and allowing their decisions to be based on the benefits to society as a whole. Alternatively, the government could orchestrate the expansion of privately owned firms through some sort of indicative planning. Envisioning such roles for government entails a dramatic departure from the fiscal and monetary policies associated with the Keynesian Hydraulics of modern textbooks, but Keynes himself provides clear textual support: "I expect to see the State, which is in a position to calculate the marginal efficiency of capital-goods on long views and on the basis of general social advantage, taking an ever greater responsibility for directly organizing investment."[12] There is not much distance between Hill's (and Keynes's) idea of government as bellwether or sheepdog and Keynes's hint in chapter 24 of a comprehensive socialization of investment.

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Instincts and Visions

Finally, let me comment on Keynes's wisdom, as judged by Felix, in seeing the darker side of the socialist development. Felix quotes from the first paragraph of a letter to F. A. Hayek in which Keynes praises Hayek's *Road to Serfdom*: "Morally and philosophically I find myself in agreement with virtually the whole of it; and not only in agreement with it, but in a deeply moved agreement."[13] A critical difference between Keynes's and Hayek's thinking, however, is revealed in the two final paragraphs: "Moderate planning will be safe if those carrying it out are rightly orientated in their own minds and hearts to the moral issue. . . . Dangerous acts can be done safely in a community which thinks and feels rightly, which would be the way to hell if they were executed by those who think and feel wrongly."[14] In sharp contrast to Hayek, Keynes was an elitist. He believed that the agencies of government would—or should—be populated by an elite that takes the long view, acts with an eye toward social advantage, and respects the rights and liberties of those over whom it has power. Hayek hoped for institutions that would uphold the rule of law—that would protect people's rights and liberties no matter which particular individuals populated the agencies of government. Felix uses this letter to Hayek to suggest that Keynes was "true in instinct and realistically in equilibrium with economics and politics" (449); I see the letter as clear evidence of the difference between Keynes and Hayek in terms of their contrasting visions of the macroeconomy and of the potential for government to compensate for the market's perceived shortcomings.

I do not intend to suggest, as Hill hints that I may, that having a preanalytic vision about economic relationships is, in and of itself, a corrupting influence on the analytics. I do suggest, following Meltzer and Schumpeter, that differences in vision, as between Keynes and Hayek, for example, are more fundamental than differences in analytics. According to Schumpeter, "analytic effort is of necessity preceded by a preanalytic cognitive act [which he calls a vision] that supplies the raw material for the analytic effort."[15] Schumpeter cites Keynes as the most telling example of intellectual development illustrating his point. He argues that the Keynesian "vision, as yet analytically unarmed," was clearly present in Keynes's 1919 book *The Economic Consequences of the Peace*.[16] In my

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judgment, Meltzer's book contributes importantly toward substantiating Schumpeter's methodological views.

Can Keynes's *General Theory* be seen as a collection of mutually reinforcing and jointly supportable propositions about the functioning of a market system and about the implied policy prescriptions and needed reforms? After more than a half-century of debate, it is difficult to answer this question in the affirmative. There are too many loose arguments, too many inconsistencies, and too much scope for interpretation. There is some textual evidence to weigh in favor of each of the many competing interpretations. But Meltzer has come the closest, in my judgment, to producing the proverbial smoking gun—in the form of Keynes's social philosophy. His interpretation, which maximizes the fit between Keynes's macroeconomic theories and his early beliefs, gets high marks as a plausible interpretation having a substantial basis in the text. Assessing the economy's performance under actual as compared with ideal circumstances, as Meltzer does, or comparing capitalism-as-it-is with socialism-as-it-has-never-been, as I do, captures much of both the substance and the spirit of Keynes's book. My own interpretation differs from Meltzer's largely in its being less complimentary to Keynes. I can readily accept Hill's summary of my review article, according to which I have added a critical dimension to Meltzer's analysis by arguing that Keynes's vision is so utopian as to weaken his case against allowing markets to work (441, Abstract). But this difference aside, I find Meltzer's interpretation more plausible and truer to Keynes than any of those that have gained wider acceptance.

NOTES

1. Quoted by Felix from John Maynard Keynes, *The General Theory of Employment, Interest, and Money* (London: Macmillan, 1936), 167.
2. Reported by Hill with citation to Keynes, *General Theory*, 166–67.
3. Keynes, *General Theory*, 166.
4. Dennis H. Robertson et al., "Alternative Theories of the Rate of Interest," *Economic Journal* 42 (September 1937): 431.
5. I leave aside the question of whether a market price (of liquidity, credit, labor, or goods and services) is usefully thought of as a reward. Is the price of a movie ticket the theater owner's reward for allowing a patron to watch a movie? Hayek argues, in effect, against conceiving the wage rate as the reward for parting with leisure. "Reward" implies a meritorious act, which

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parting with leisure (or liquidity) does not necessarily entail. His arguments apply with greater force, in my judgment, to the interest rate. See Friedrich A. Hayek, *The Constitution of Liberty* (Chicago: University of Chicago Press, 1960), ch. 6.

6. Keynes, *General Theory*, 167n1.
7. Roger W. Garrison, "Keynesian Splenetics: From Social Philosophy to Macroeconomics," CRITICAL REVIEW 6, no. 4 (Fall 1993): 483.
8. Robertson, 433.
9. Keynes's *General Theory* contains several passages in which a zero marginal efficiency of capital in equilibrium (which implies a zero rate of interest, too) is taken to be an attainable goal: "A properly run community . . . ought to be able to bring down the marginal efficiency of capital in equilibrium approximately to zero within a single generation" (220). "If I am right in supposing it to be comparatively easy to make capital-goods so abundant that the marginal efficiency of capital is zero, this may be the most sensible way of gradually getting rid of many of the objectionable features of capitalism" (221). And: "Only experience can show . . . how far it is safe to stimulate the average propensity to consume, without forgoing our aim of depriving capital of its scarcity-value within one or two generations" (377).
10. David Felix, "Consuming Our Way to Greater Well-Being: Theory and History," CRITICAL REVIEW 3, nos. 2–3 (Summer–Fall 1989): 589–99.
11. Keynes, *General Theory*, 131.
12. Ibid., 164.
13. Quoted by Felix from John Maynard Keynes, *Collected Writings*, vol. 27 (London: Macmillan, 1971–1983), 385–88.
14. Keynes, *Collected Writings*, vol. 27, 385–88.
15. Joseph A. Schumpeter, *History of Economic Analysis* (New York: Oxford University Press, 1954), 41.
16. Ibid., 42.

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Terry L. Anderson and Donald R. Leal

FREEDOM AND THE ENVIRONMENT: REPLY TO CRITICS

The critiques of free-market environmentalism in CRITICAL REVIEW, 6, nos. 2–3 cover a wide spectrum, ranging from Albert Weale, who believes that advocates of free-market environmentalism have too little faith in government and are too optimistic about market solutions, to Jeffrey Friedman, who argues that free-market environmentalism is "statist at its core." At the first extreme, it is hard to believe that much faith can be placed in political environmentalism. The environmental atrocities in the former Soviet Union can only be overlooked by those who are blind or put blind faith in "good guy" theories of government. In the United States some of the worst environmental atrocities are produced by government: witness the Bureau of Reclamation's water projects that led to the damming of nearly all major river systems in the West and the demise of hundreds of salmon and steelhead runs, the Army Corps of Engineers' water channeling projects on the Mississippi that destroyed millions of acres of wetlands, and the National Park Service's "predator control" programs that led to the extinction of ten mammalian species in national parks. Environmental quality is

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not a guarantee with the heavy hand of government, but it may come from the invisible hand of the marketplace.

It is more difficult to deal with Friedman's critique because it is not precisely clear what he means by "statist at its core." Is any proposal that involves government statist? How are property rights in other realms to be defined and enforced? Although we are sympathetic to certain anarcho-capitalist arguments and indeed have written about the possibilities for defining and enforcing property rights at the community level, we believe that government does have a protective role to play in encouraging practical solutions to environmental problems. That role is to reduce the cost of defining and enforcing private property rights. If this is what Friedman means, then free-market environmentalism is as statist as all modern markets. While the purest libertarians may believe that property rights can be defined and enforced without any government, we believe the acceptance of free-market environmentalism is coming from pragmatic people searching for ways to utilize the current institutions, government included, to improve the environment.

By building on early private water institutions that were later formalized by state governments, water trades that enhance environmental quality are today's reality. Conservation groups such as The Nature Conservancy and Ducks Unlimited are using water markets in Nevada, Colorado, Utah, and California to secure more water for wetlands and streams, helping them recover from a decade of drought. Freely tradeable water rights as defined and enforced by government have allowed conservationists, ranchers, farmers, and other water users to reallocate water among themselves without government coercion. Further, the courts and state legislatures are paving the way for even more voluntary water trades by dismantling outdated restrictions that prevent environmental uses of water in other Western states.

Friedman seems to think that there are no pure libertarian solutions to environmental problems. In one sense he is correct if he is defining libertarian as the complete absence of government. However, there are certainly many solutions that fit within the framework of middle-of-the-road libertarianism. It is possible to reduce state interference in most areas of environmental concern and to strengthen private property rights. This is important because it

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makes people responsible for their actions and allows a great deal more freedom than the usual command-and-control approaches.

Friedman is correct in noting that free-market environmentalism does not have complete solutions to all potential environmental problems such as air pollution, but it does improve the prospects of finding solutions that avoid mindboggling regulations that reduce freedom and wealth. For the tougher problems such as air pollution or ozone depletion (if that problem is real), we cannot state the definitive solution, but we can offer an institutional foundation that improves the prospects for finding solutions when problems truly exist. We note that the evolution of property rights is on the side of free-market environmentalism. On the American frontier, cattlemen did invent barbed wire to eliminate the commons, and today tracking technology is evolving to allow better monitoring of pollutants. Will it be perfect? No. But entrepreneurs do have an incentive to search for free-market environmental solutions as long as they can capitalize on their successes in a world of clear and stable rules provided by government.

This does not mean that the environment is the "libertarian Waterloo,"[1] as Friedman asserts. There are always potential Waterloos for libertarians, such as national defense, where it is difficult to imagine the perfect nongovernmental alternative. Recognizing this does not mean that the alternative is to embrace governmental solutions of the type that Friedman proposes. We think that the principles outlined in *Free Market Environmentalism* provide much more solid ground for middle-of-the-road libertarians who understand that there are costs in defining and enforcing property rights.

Turning to the criticism by Mark Sagoff, we find the perfect construction of a straw man. Sagoff's criticism hangs on the concept of allocative efficiency, which he asserts is the foundation of free-market environmentalism. He argues that free-market environmentalists are really concerned only with cost-benefit analysis, and ignore other aesthetic and cultural values. Any reader of *Free Market Environmentalism* or other publications by the protagonists will be hard pressed to find a reliance on the concept of allocative efficiency. Certainly Sagoff's use of the concept does not come close to anything used by free-market environmentalists. Efficiency is fundamentally a value concept. There is no such thing as technical efficiency. One can only measure the costs by observing human actions or inactions that reflect individual subjective values

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including aesthetic, moral, and cultural values. The institutional environment advocated by free-market environmentalism is one in which people are free to act on their subjective values so long as their actions do not physically harm others.

Sagoff assumes that free-market environmentalism only focuses on maximizing physical production, but nothing could be further from the truth. Free-market environmentalism only argues that people should be able to reap the benefits of good stewardship and bear the costs of their actions. Private property rights provide one institution for accomplishing this. We agree that "environmentalists are concerned about saving magnificent landscapes and species, keeping the air and water clean, and in general getting humanity to tread more lightly on the Earth."[2] The questions we ask are at what cost, and at what cost to whom? We "might concede that the extinction of species, the mining of sanctuaries, the pollution of bays and estuaries and indeed, the desecration of virtually everything of moral, aesthetic, or cultural significance all make perfect sense" but not "from the point of view of economic efficiency."[3] These make sense as long as the rights to species, sanctuaries, and so on are well defined and enforced and as long as those who do the extinguishing, mining, and so on compensate the owners.

The difference between Sagoff's position and that of free-market environmentalism is not based on economic efficiency; it is based on who bears the costs and reaps the benefits. Sagoff asserts that environmentalists believe "protection of what is beautiful, authentic, charming, historic, and inspiring is right and good *whether or not* it is economically efficient."[4] Put differently, he is saying environmentalists favor protecting those things that are beautiful, authentic, and charming, for example, *regardless of the cost imposed on others*. Free-market environmentalism recognizes that protection of the environment has its costs and that those costs must be weighed against the benefits. Politics does not do this; it can provide a free lunch for environmentalists as well as developers. Free-market environmentalism simply argues that we must seek institutions that force humans to take account of the costs, and markets do precisely that.

In short, free-market environmentalism is based on two fundamental principles that the critics seem to miss. First, environmental quality is a good that is increasingly demanded as people's incomes rise, and incomes rise as a result of market forces. Second, environ-

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mental quality is more likely to be supplied in cases where well-specified property rights provide positive incentives for the human actors. Free-market environmentalism, which focuses on voluntary human action, is the only sure way of accounting for subjective values, material or aesthetic. For the environmentalist who is not libertarian, free-market environmentalism is a pragmatic way of improving resource stewardship. For the libertarian who is not an environmentalist, free-market environmentalism is simply a paradigm that maximizes freedom. We rest our case.

NOTES

1. Jeffrey Friedman, "Politics or Scholarship?" CRITICAL REVIEW 6, nos. 2–3 (Spring–Summer 1992): 443.
2. Mark Sagoff, "Free-Market versus Libertarian Environmentalism," ibid., 218.
3. Ibid., 222.
4. Ibid.

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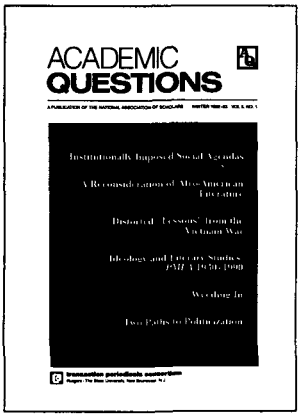

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Mark Sagoff

ENVIRONMENTALISM VS. VALUE SUBJECTIVISM: REJOINDER TO ANDERSON AND LEAL

Anderson and Leal in *Free Market Environmentalism* seem to follow the central teachings of mainstream resource economics, according to which resources should be allocated efficiently, that is, to those who are willing to pay the most for them, because this will maximize net benefits to society as a whole. This is the principle Anderson and Leal plead for in their book and, as if I could possibly have missed it, in their Reply to me as well.

Anderson and Leal, in their Reply ("Freedom and the Environment: Reply to Critics," CRITICAL REVIEW 8, no. 3), reiterate the cost-benefit criterion central to their conception of free-market environmentalism. "Free-market environmentalism recognizes that the protection of the environment has its costs and that those costs must be weighed against the benefits," they write (464). They follow mainstream resource economics in asserting that the way to measure costs and, I assume, benefits is "by observing human actions or inactions that reflect individual subjective values *including aesthetic, moral, and cultural values*" (463–64).

According to this mainstream view, there is a neutral and uncontroversial way of "observing human actions or inactions." The

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subjective values of individuals can simply be read off these "given" descriptions of behavior. Armed with an ability to infer our "individual subjective values" simply by observing our actions and inactions, Anderson and Leal assure us that the free market—which, incidentally, is the mechanism they use to observe behavior and to infer its motivation—is the best means of satisfying those values.

In this respect they beg the question against mainstream resource economists who argue that market failure is so pervasive—transaction costs so ubiquitous—that society must rely on scientific approaches, such as contingent valuation methodology, to assess what people's preferences are, and on scientific management to allocate resources in response to those preferences. Anderson and Leal also beg the question against other sciences that infer motivation from their own methods of observing and interpreting behavior, for example, Skinnerian behaviorism, Freudian psychology, Marxism, and so on. They also beg the question against libertarians, who recognize that "behavior" lends itself to any number of conflicting accounts, interpretations, and descriptions. Preferences do not exist in the mind of the individual but rather reside in the eye of the beholder.

In their book, Anderson and Leal use the example of the Kingston Plains, which has remained a moonscape ever since it was logged a hundred years ago, to illustrate how to balance benefits and costs, taking all "subjective individual values" into account. "If the trees at Kingston Plains had been left standing," they ask, "would the benefits derived over the past one hundred years from preserving land for wildlife habitat, hiking, and other environmental amenities have been worth forgoing the benefits society received from logging?" Even though the area never recovered, Anderson and Leal surmise that "harvesting the trees was the correct choice."[1] They are able to know this, apparently, because they have special access to the subjective values—including aesthetic, cultural, and moral values—of all the affected individuals.

Mainstream resource economists, however, might reply that Anderson and Leal ignore all the nonuse or preservation values that people may have felt at the time—values that might have overwhelmed consumption values but for transaction costs, free-rider problems, and other causes of market failure. For Anderson and Leal, the values markets respond to are the only values people have.

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Therefore, they can conclude: "When judged against prudent investment criteria, nineteenth-century timber markets were efficient."[2]

Anderson and Leal differ from mainstream environmental economists only in embracing their own particular methodology for determining the "individual subjective values" of individuals. This methodology consists principally in making it up as they go along. They do not cite any way of testing methods (if these exist) for observing and describing behavior and for inferring values or preferences from those observations and descriptions. Because Anderson and Leal use their own intuitions to describe behavior and impute preferences, they can and do make an ad hoc case for the superiority of markets over centralized planning in satisfying the preferences they have identified. They must provide a more convincing reason, however, to show that the invisible hand does work competently—that, contrary to the view of mainstream economists, externalities, public goods, and transaction costs are not so pervasive as to make market failure not the exception but the rule.

Rather than do this—rather than provide an independent and testable method for determining "individual subjective values"—Anderson and Leal satisfy themselves by denigrating bureaucrats. "Political resource managers," they observe, "make trade-offs . . . in terms of special interest support; at best, this unit of account provides imprecise measures of the subjective values of citizens." (Plainly, Anderson and Leal have precise measures.) Managers, no matter what methodology they develop to measure preferences, are caught up in the political process "where votes matter, not efficiency."[3]

Twenty years ago, an interminable literature exhausted the question of whether free markets or centralized management would allocate environmental resources more efficiently. In 1973, British economist E. J. Mishan concluded from this literature that if free-market theorists accept the efficiency criterion—the thesis that resource allocation should reflect all the exchanges people are willing to make—it is hard to see how they can escape cost-benefit planning, given the pervasiveness of market failure. Mishan wrote: "A person who agrees to apply the principles of allocative efficiency needs no new assumption to extend his agreement to the application of existing cost-benefit analysis. In sum both the principles of

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economic efficiency and those of cost-benefit analysis derive their inspiration from the . . . Pareto criterion, and a person cannot consistently accept one and deny the other.[4]

In the 1970s, when people still thought it worth pursuing, several economists—C. J. Dahlman is an example—expressed dismay at the debate between free marketeers and scientific managers over which side allocated resources more efficiently. Dahlman argued that the debate never got above the level of disparate comparison—comparisons of what one arrangement would do in theory with what the other does in fact. It never got beyond ad hoc descriptions of behavior—human actions or inactions—and thus utterly self-serving and unfalsifiable readings of the preferences that that behavior "reflects." Dalhman concluded that even if markets are inefficient owing to transaction costs, externalities, or whatever, there is no "good reason for assuming that somebody else, outside the market, can do it better."[5] Not only do Anderson and Leal contribute nothing to this two-decade-old discussion, they seem completely oblivious to it.

The appropriate conclusion to draw from that literature is that the entire enterprise of identifying externalities, social costs, and transaction costs has collapsed into an exercise in telling stories about what the individual's "true" subjective values are. If you adopt the free-market approach, you will come up with one set of "preferences" or "individual subjective values," namely, those that markets may be said to satisfy. The approach of Pigouvian scientific management will get you another set, including "existence values," "stewardship values," and other aesthetic, moral, and cultural values that markets fail to price. There is no way of getting behind the stories experts tell and the interpretations they offer to see what a person's real "preferences" are—no way to falsify a description of behavior or to certify independently the existence of the subjective values it is supposed to "reflect."[6]

Since the edifice of welfare economics, resting on ad hoc descriptions of behavior and "preferences" inferred from those descriptions, is a house of cards, how can one say whether markets or management succeed better at satisfying "individual subjective values?" According to Charles Perrings, "The implication is that if neither the state nor any other nonmarket agency can do it better, then there is no difference between private and social cost and no cause for believing an external effect to exist."[7]

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Philosophers use a rule called Ramsey's maxim when they confront a dispute in which both sides provide equally good arguments for contrary conclusions. This maxim directs us to question the premise the two sides hold in common. Anderson and Leal and their cost-benefit rivals both assume that "individual subjective preferences" can be observed or determined independently of the theoretical, institutional, or methodological framework proposed to identify and then to satisfy them. This common premise is false. In any instance of social choice—the fate of the Kingston Plains, for example—economists of different schools will observe and interpret human actions and inactions in radically different ways, and thus they will come up with very different lists of "individual subjective values." Descriptions of human actions and inactions are free for the asking; there is no way of testing any hypothesis about a person's preferences, since stories can so easily be told to reconcile any hypothesis with some interpretation of his or her behavior.

The idea that human action and choice are based on "preferences" or "subjective individual values," moreover, is not supported by any theory of human psychology. These terms are meaningful as theoretical constructs within formal theories of collective choice that are useful in clarifying conceptual relations between, say, individual and collective decisions. The use of these abstract theoretical constructs in the epistemic enterprise of formal decision theory, however, tells us nothing about why people make the choices they do or how properly to describe those choices.

Even if we screw up our heads enough to accept the idea that "preferences" refer to something outside the ad hoc stories economists tell, there would be no reason for society to seek the satisfaction of those preferences, taken simply as they come. No economist has ever shown, for example, that the satisfaction of preference promotes human welfare or well-being in any sense of "welfare" or "well-being" not trivially defined in terms of the satisfaction of "preferences."

Because the arguments philosophers have given against the goal of preference satisfaction and therefore allocative efficiency are so familiar and, as I believe, persuasive, Anderson and Leal, in their *Reply*, are correct in disparaging the concept of allocative efficiency as a straw man. The maximization of benefits over costs, the maximum satisfaction of individual subjective values or preferences on a willingness-to-pay basis, Pareto optimality, and allocative effi-

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ciency all come to the same thing—a straw man. What, then, do Anderson and Leal put in its place? If allocative efficiency is a straw man, moreover, why did Anderson and Leal write a book the thesis of which is that free markets will allocate resources more efficiently than centralized planning?

I agree with Anderson and Leal that we must take the costs of environmental protection into account—if by costs we mean ordinary out-of-pocket expenses, rather than an arcane abstract measurement of willingness-to-pay, meaningful only to resource economists. I have argued elsewhere, for example, that for some pollutants we should regulate to the "knee of the curve"—the point at which the price we must pay for eliminating the next marginal unit rises dramatically or asymptotically. We should also follow the common law of nuisance by regulating pollution to *de minimus* rather than zero-risk levels. Anderson and Leal, in contrast, require that costs and benefits be balanced in a way that maximizes benefits over costs as both are measured in terms of "individual subjective values including aesthetic, moral, and cultural values." In this goal they agree with their collectivist cousins, who then argue for centralized planning because of the failure of markets to "price" aesthetic, moral, and cultural values.

This is why libertarians, even "middle-of-the-road" libertarians, find the Anderson and Leal endorsement of free markets so precarious. Middle-of-the-road libertarians favor free markets over socialism primarily for intrinsic moral and cultural reasons rather than for instrumental or consequentialist ones. Libertarians favor free markets because they are free, not because they are efficient; not because they allocate resources better, but because they provide a basic condition of human liberty.

Libertarians do not have patience with the individual subjective values that welfare economists make up as they go along. Rather, libertarians care about the right of individuals to be free of coercion; they care about the objective moral values that markets embody—liberty, of course, but also accountability, responsibility, and creativity. Markets also promote virtues fundamental to a Christian society, such as thrift, self-discipline, moderation, and sobriety. For these and other intrinsic and objective reasons, libertarians insist on the basic institutions of human freedom, especially the sanctity of property rights and the legitimacy of consensual

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transactions. The Anderson and Leal approach, insofar as it is entirely consequentialist, is just a gateway to socialism.

NOTES

1. Terry Anderson and Donald Leal, *Free Market Environmentalism* (San Francisco: Pacific Research Institute, 1991), 47.
2. Ibid.
3. Ibid., 16.
4. E. J. Mishan, *Economics for Social Decisions: Elements of Cost-Benefit Analysis* (New York: Praeger, 1973), 17.
5. C. J. Dahlman, "The Problem of Externality," *Journal of Law and Economics* 22 (1979): 154.
6. For a fuller argument to this effect, see Mark Sagoff, "Should Preferences Count?" *Land and Economics* 70, no. 2 (May 1994).
7. Charles Perrings, *Economy and Environment* (Cambridge: Cambridge University Press, 1987), 131.

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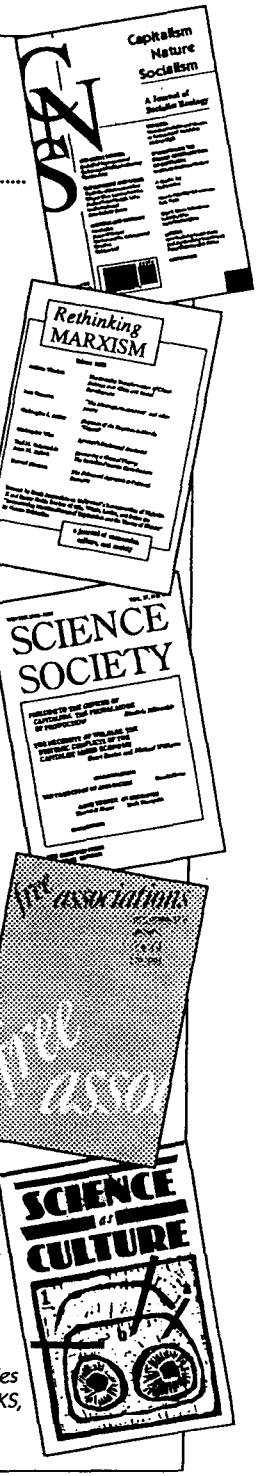

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Jane S. Shaw

REAL PEOPLE PREFER FREE-MARKET ENVIRONMENTALISM: REPLY TO FRIEDMAN

Jeffrey Friedman's joint attack on libertarian environmentalism and free-market environmentalism ("Politics or Scholarship?" CRITICAL REIVEW 6, nos. 2–3) begins with the concept of a "libertarian utopia" in which the individual is completely sovereign. Environmental issues, he says, pose an obstacle to the realization of this utopia, and his essay explores whether libertarians should maintain their hopes for such a utopia. He concludes that they cannot, and ultimately suggests that libertarians should give up hope of changing the world and spend their time attempting "simply to understand it."

Do all libertarians have an apocalyptic goal such as bringing about a "libertarian utopia"? It seems to me that some libertarians seek ways to reduce the role of the government in their lives, and welcome major steps in that direction. While libertarian scholars may debate in academic journals whether "anything close to the abolition of the modern state" is theoretically possible, other scholars are trying to figure out why we have the amount of state control we have now, how that can be lessened, and how greater intrusion can be prevented. It seems to me that both what Fried-

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man calls libertarian environmentalism (or environmental extremism) and free-market environmentalism offer help in that direction.

Friedman criticizes libertarian environmentalism, exemplified by Murray Rothbard's classic essay on pollution,[1] on the ground that it is impossible to prevent all invasions from pollutants since even breathing and light cause pollution. By interpreting Rothbard's essay to mean that libertarianism requires total protection against invasion, he concludes that Rothbard's judicial approach is workable only through "intellectual contortions."[2] Whether he is right about Rothbard's essay I leave to others to judge, but clearly his description of libertarian environmentalism excludes commonsense approaches and, specifically, the common-law rule that allows *de minimis* amounts of pollutants. In other words, in the real world, there are levels of pollution that everyone accepts, such as the occasional smoke from a neighbor's barbecue.

After concluding that libertarianism sets up an impossible goal, Friedman turns to another alternative, free-market environmentalism. This is a way of thinking about environmental problems that has been largely developed at the Political Economy Research Center; it was the subject of a book, *Free Market Environmentalism*, by Terry L. Anderson and Donald R. Leal.[3] Because free-market environmentalism does not completely exclude government intervention (courts may defend property rights, for example), he concludes that it is statist. I disagree.

What Is Free-Market Environmentalism?

Let me explain what I believe free-market environmentalism to be. The term is a colloquial way of describing the New Resource Economics, an economic approach to natural resources and environmental amenities. While Friedman claims that free-market environmentalism is based on "Chicago-school insights,"[4] it is, in fact, much more than that. As Terry Anderson outlined it some years ago (calling it the New Resource Economics),[5] it incorporates, along with the Chicago-school insights, property-rights theory, public choice, and Austrian economics. (Anderson and Leal's book, written for a broader audience, does not use these labels.)

Free-market environmentalism recognizes that people respond

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to the incentives and information available to them, and that institutions (the rules, laws, and customs that govern people) help determine their incentives and information. While free-market environmentalism is normative in that its proponents consider more freedom to be better than less freedom, substantively it comprises a comparative analysis, using economic tools, of what happens when people act in collective decisionmaking and when they act in a property-rights setting. When free-market environmentalists look at democratic governments, for example, they apply the tenets of public choice and the Hayekian insight that important information for decisionmaking is too dispersed for central planning, especially when central planning suppresses prices. When they look at the environmental marketplace, they examine how dispersed knowledge and private property rights affect people's choices.

Unfortunately, Friedman ignores these aspects of free-market environmentalism, and concentrates on one example, tradeable pollution permits. But *Free Market Environmentalism* does not treat tradeable permits as market based. Anderson and Leal consider pollution permits to be better than more typical "command-and-control" methods of dealing with pollution, but they are only "a marketlike alternative."[6] Anderson and Leal point out that such permits still require "a political determination of the level of pollution that will be allowed."[7] Indeed, in an unpublished paper Richard L. Stroup has written: "To call such a policy 'market-based' is like calling U.S. defense policy 'market-based' because our tanks and bombs are made by private firms."[8]

A Shocking Thought Experiment

So why does Friedman focus on permits as an embodiment of free-market environmentalism? The answer may be that doing so helps him label free-market environmentalism as "statist at its core."[9]

Dissatisfied with what he views as two extremes (Rothbard's extreme libertarianism and free-market environmentalists' statism), Friedman goes on to seek an alternative, a middle road. In a thought experiment,[10] he proposes modifying free-market environmentalism "so that a more rational decision-making procedure than democratic politics could determine which pollutants to reduce and by what amount." Under the heading "Depoliticizing the

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Atmosphere," he suggests that "equal rights to pollute the atmosphere could be given to every human being, and then traded among them." He recognizes that this right to pollute must be limited if it is to have value, but, he points out, it is difficult to think of any process other than what he calls "democratic politics" to determine how much any pollutant ought to be reduced. So he proposes that each person be given an annual allotment of the right "to his or her equal proportion of each designated pollutant emitted over the previous year." People or industries that wanted to conduct activities requiring higher amounts of pollutants would buy shares from others.

Are Friedman and I living on the same planet? Marketable permits in the United States seem downright tame compared to the scheme he is proposing. Who does he think will monitor emissions and oversee trades? Vigilantes? No, clearly a worldwide police force would be required if this scheme is to be taken seriously. In other words, he posits a vast international government that would "give" this right and enforce it. Just think of what else such a powerful force could (and would) do. Is this supposed to be *better* than free-market environmentalism?

Fortunately, Friedman concludes that even this "depoliticization" is not a very good idea. But it brings him to the conclusion that there is "no feasible libertarian environmental policy." Libertarian extremism is unworkable, and free-market environmentalism lacks an "overarching vision of society that does away with democratic or bureaucratic decisions about the environment."[11]

I disagree with the latter claim. Free-market environmentalism, especially when it incorporates Rothbard's judicial approach, does offer an alternative to democratic and bureaucratic decisions—in fact, it is the only real-world alternative to democratic and bureaucratic decisions in the environmental field. The academic libertarian who is trying to imagine a perfect world of moral purity may have some problems with free-market environmentalism, but in the real world it offers what I believe libertarians want—an approach to solving problems that does not rely heavily on government in an area (natural resources and the environment) where traditional economic theory and political pressure have encouraged more government.

Research conducted by free-market environmentalists illustrates that coercive power has harmful environmental effects and that

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private property tends to lead to good environmental stewardship. Both of these conclusions are in fact subjective, but the results of the studies are there for everyone to see. I think that most people who review them will agree that they support the case for more private property and less governmental control, both on environmental grounds (however subjective) and on libertarian grounds.

It is true that in some cases government power may be able to achieve environmental protection more easily than can private groups acting in the marketplace (that is, more easily than the approach that free-market environmentalists espouse). For example, the federal government can, with a piece of paper, declare some lands inviolate by designating them wilderness. But this example of benign government intervention is somewhat atypical if for no other reason than wilderness, by definition, is not managed. As Anderson and Leal convincingly show in their book, and as the work of other free-market environmentalists over the past decade confirms, most government management of land would disappoint the public if the public were aware of it. (The public is unaware of it because the costs of the mismanagement are so widely spread among taxpayers, each of whom, having no decisive vote, spends little time on careful study of such an issue).

Two More Complaints Addressed

In addition to claiming that free-market environmentalism is statist, Friedman says that free-market environmentalists cannot address the really difficult problems. So they are "reduced to denying the existence of such problems a priori by closing their minds to the possibility of unwelcome climatological evidence or to imagining some technological solution to the problem of tracing atmospheric emissions, as the only alternatives to inaction or to a gigantic extension of state power over economic activity under the rubric of sustainable development."[12]

This rather cutting remark is not supported by the facts. Free-market environmentalists do not close their eyes to the possibility of harm from global warming or other climatological changes. In the case of global warming, anyone who has reviewed the evidence recognizes that it is weak indeed, primarily based on computer projections that are known to be extremely limited in their predict-

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ing power. There is so much uncertainty (about even the direction of change) that any scientist who looks at the issue without bias is likely to conclude that action could worsen the effects of the supposed phenomenon rather than ease them.

But not all atmospheric cases are as weak as global warming. There is substantial evidence that synthetic chemicals are contributing to a decline in stratospheric ozone, and some evidence that they are contributing to the Antarctic "ozone hole." However, the decline in ozone that may have occurred is very slight; it is overwhelmed by short-term changes in ozone amounts; and the decline is likely to be relatively small over the next 100 years, even if we continue to produce CFCs. In fact, the worst-case-scenario predicted by peer-reviewed scientists is that in the next 50 years the ozone might be depleted by 15 percent.[13] The effect is believed to be about the same (in terms of increased skin cancer risk) as moving 90 miles closer to the Equator.[14]

Nevertheless, there may be environmental problems that cannot be corrected by market approaches, and ozone depletion could turn out to be one of them. These would truly be libertarian nightmares. But notice that free-market environmentalists are not the ones who are proposing world carbon rights or government controls on CFC production. Nor do free-market environmentalists rule out libertarian solutions such as consumer boycotts and decisions by producers (perhaps as a result of boycotts) to phase out the offending chemicals. Such voluntary phaseouts wouldn't be universal, of course, but they could go a long way toward resolving the problem. Voluntary action could also be gradual, which would avoid the danger we now face—that the ban on CFCs will occur before safe and cheap alternatives are in place. (Many people are likely to die in Third World countries because refrigeration will be too expensive or too dangerous.) Finally, it is possible that the world would simply adapt (as it has come to adapt to the view that heavy exposure to the sun leads to skin cancer).

In any case, action shouldn't be seriously considered until there is credible evidence that the problem is severe. That is why free-market environmentalists believe in scrutinizing the evidence carefully. Free-market environmentalists are not "deciding in advance which environmental scientists to believe by virtue of the political implications of their findings," as Friedman suggests they are.[15] Instead, they recognize that predictions of catastrophic environ-

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mental disasters (that we will run out of nonrenewable resources is a favorite) have always turned out to be wrong. Furthermore, the political process tends to promote such scares (for reasons that free-market environmentalists and others continue to research).

Free-market environmentalists do hold out the possibility of technological solutions, such as tracing atmospheric emissions to identify the source of pollutants. Friedman dismisses these solutions as a feasible response to really difficult atmospheric problems such as global warming. He says it is "inconceivable" that tracing could be used to slow down global warming, since greenhouse gases exist in every breath and every instance of combustion. While he is correct that tracing every emission is absurd, and tracing even large-scale emissions would be difficult, free-market environmentalists are not so quick to dismiss technological solutions. Indeed, a satellite now monitors the diesel exhaust of vessels in the Bering Sea to identify illegal fishing boats; tracing technology is not something out of "Star Trek."

By dismissing technological change, Friedman seems to argue that if we don't have a solution today, we never will. This flies in the face of history. Free-market environmentalists Terry Anderson and P. J. Hill have pointed out that when the value of owning livestock in the vast, dry prairies of the West became high enough in the nineteenth century, it spurred entrepreneurs to figure out new ways to defend private ownership.[16] These efforts culminated in the use of barbed wire for fences. Free-market environmentalists do not say that new technologies will necessarily develop, but it seems close-minded to assume they will not.

Having decided that neither libertarian extremism nor free-market environmentalism is suitable for libertarians, Friedman pessimistically concludes that libertarians should "put their dreams of changing the world on hold while they attempt simply to understand it." But I have attempted to show that free-market environmentalists are *both* trying to understand the world and trying to use that understanding to help change it where they can. What more should a libertarian expect?

NOTES

1. Murray N. Rothbard, "Law, Property Rights, and Air Pollution," *Cato Journal* 2, no. 1 (Spring 1982): 55–99.

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2. Jeffrey Friedman, "Politics or Scholarship?" CRITICAL REVIEW 6, nos. 2–3 (Spring-Summer 1992): 437.
3. Terry Anderson and Donald Leal, *Free Market Environmentalism* (San Francisco: Pacific Research Institute, 1991).
4. Friedman, 437.
5. "The New Resource Economics: Old Ideas and New Applications," *American Journal of Agricultural Economics* 64, no. 5 (December 1982): 928–34.
6. Anderson and Leal, 144.
7. Ibid., 147.
8. Richard L. Stroup, "The Myth of Market-Based Environmental Policies." Unpublished paper, Political Economy Research Center, Bozeman, Mont. 1993.
9. Friedman, 439.
10. Ibid., 439–40.
11. Ibid., 443.
12. Ibid., 438.
13. Arne Dahlback et al., "Biological UV-Doses and the Effect of an Ozone Layer Depletion," *Photochemistry and Photobiology* 49, no. 5 (1989): 621–25.
14. National Academy of Sciences, *Environmental Impact of Stratospheric Flight* (Washington, D.C., 1975).
15. Friedman, 443.
16. Terry Anderson and P. J. Hill, "From Free Grass to Fences: Transforming the Commons of the American West," in Garrett Hardin and John Baden, eds., *Managing the Commons* (San Francisco: W. H. Freeman, 1977), reprinted in a revised version in Anderson and Leal, 24–36.

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Jeffrey Friedman

ON LIBERTARIAN ANTI-INTELLECTUALISM: REJOINDER TO SHAW AND ANDERSON & LEAL

Against my claim that free-market environmentalism (FME) cannot solve major environmental problems, my critics deny that such problems exist. Against my contention that FME depends on the democratic policymaking it decries, they retreat from FME to libertarian environmentalism (LE). Against my argument that LE is incoherent, they resort to anti-intellectualism. These responses stem from demonstrable precommitments to libertarian ideology, suggesting that the debate over FME and LE has profound implications, not only for their practitioners, but for all libertarians and many free-market social scientists.

In "Politics or Scholarship?",[1] I argued that by applying libertarian premises to environmental issues, one discovers that libertarianism is unsound. I then contrasted LE with FME, suggesting that while FME is important and valuable in many areas, it probably cannot solve major, nonlocal pollution problems. The two Replies from three leading free-market environmentalists—Jane S. Shaw ("Real People Prefer Free-Market Environmentalism: Reply to Friedman," CRITICAL REVIEW 8, no. 3) and Terry L. Anderson and Donald R. Leal ("Freedom and the Environment: Reply to Critics," ibid.)—

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indicate that I was wrong to dichotomize LE and FME. For at bottom, FME is motivated not by an attempt to solve environmental problems more effectively than command-and-control approaches, but by libertarianism. In turn, the manner in which my free-market environmentalist critics (fail to) respond to my critique of libertarianism betrays an intellectual tendency that tarnishes a great deal of free-market scholarship.

Libertarian Lysenkoism

Before discussing the convergence of LE and FME, I must reiterate a connected yet distinct point. It is unscholarly to take a politically predetermined approach to such empirical questions as whether greenhouse gases cause global warming. Both Replies commit this error. Shaw makes the prima facie invalid claim that "anyone who has reviewed the evidence" must doubt the global warming thesis (Shaw 479). To rationalize this claim, she advances the fallacious argument that the failure of past predictions of environmental disaster justifies rejecting current predictions (ibid., 480–81). This Panglossian argument goes far beyond Shaw's modest injunction to "scrutiniz[e] the evidence carefully" (480).

When she comes to ozone depletion, however, even Shaw cannot deny the existence of an environmental problem that is intractable for FME. So she minimizes the problem. She hopes for voluntary or technological solutions to it. And if all else fails, she urges us to live with it.

When laypeople have a political stake in the outcome of climatological debates, it is a sign that either their interests or their ideology are coloring their judgment. By definition, scholars are supposed to rise above such partisanship. Hence the dilemma: politics or scholarship? Libertarian politics creates a vested interest in supporting the climatological naysayers over the climatological doomsayers. Scholarly integrity creates an interest only in ensuring that the scholar's politics are consistent with reality—whatever reality may turn out to be. When one finds one's politics threatened by the march of science, it is time to re-examine the politics, not the science.[2]

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The Retreat to Libertarianism

Like Shaw, Anderson and Leal find themselves with an a priori stake in a posteriori scientific debates. Like Shaw, they hope against hope that global warming is a politically motivated hoax,[3] or, if not, that entrepreneurs will devise an atmospheric equivalent of barbed wire to deal with it (Anderson & Leal 463; Shaw 481). Unfortunately, unlike owners of livestock, air polluters have no "market-based" (Shaw 477) incentive to develop atmospheric property rights, for unless the government either (a) promulgates laws against atmospheric pollution, or (b) creates "market-like" (ibid.) emissions-trading rights, the cost of using the atmosphere as a dumping ground for greenhouse gases (or chloroflourocarbons) is zero.

Shaw points out that FME draws on Chicago-school, Austrian, and public-choice economics so as to produce a critique of democratic environmental decisionmaking. Therefore, one might expect free-market environmentalists to favor approach (b), since it restricts democratic decisionmaking to setting environmental goals, while leaving individuals free to decide the best means for achieving them. This was the expectation that led me, in "Politics or Scholarship?", to develop an elaborate thought experiment regarding emissions permits. My goal was to see whether, in cases like global warming, there is any feasible way to reduce politicized decisionmaking. Shaw (477) claims that I "ignore" the free-market environmentalist critique of democratic politics. On the contrary, I took it seriously enough to do what no free-market environmentalist had done before: think through the critique's implications for the "tougher problems" (Anderson & Leal 463) of atmospheric pollution—rather than simply wishing these problems away.

Their Reply contains no evidence that Anderson and Leal grasp the need to undertake such thinking. Instead they reject the thought experiment on the grounds that emissions-trading permits are too "governmental" (Anderson & Leal 463); this is what makes the thought experiment so "shocking" to Shaw (477–78). Thus does FME as a critique of democratic decisionmaking turn into FME as a critique of government per se.

By failing to engage the thought experiment on its own terms—that is, on the terms of the free-market environmentalist critique of democracy—Shaw, Anderson, and Leal reveal that in their hands,

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this critique is merely instrumental to another end. This end is the reduction of government, *not* because politicized decisions about scientific issues are likely to lead to counterproductive environmental policies, but because government action, being antithetical to "freedom" (Shaw 477, Anderson & Leal 463), is *inherently* undesirable.

Given the ideological imperatives that seem to drive their approach, it is not surprising that my critics engage in politicized science. One might expect critics of the politically determined scientific claims of environmentalist zealots to refrain from engaging in similar tactics. But then one would be treating the free-market environmentalists' critique of politicized science as something more than a stick with which to attack environmental regulations they antecedently oppose as detrimental to freedom, regardless of their scientific rationale. Once FME merges with LE in this way, my critique of LE becomes applicable to FME.

The purpose of my thought experiment was to explore the possibility of using approach (b) to depoliticize environmental decisionmaking about such potential problems as global warming. It was an exercise in a version of FME that is truly motivated by the critique of democratic environmental decisionmaking. Having rejected (b) as inherently too "governmental," Anderson and Leal (463) pin their hopes on the development of some new technology that will "allow better monitoring of pollutants" (ibid.). Setting aside the enormous transaction costs that would inhibit the use of any such technology,[4] FME's reliance on technology faces a more fundamental problem. The incentive to develop such technofixes awaits the establishment of atmospheric boundaries between people and the criminalization of involuntary boundary crossings by pollutants. Only when legal recourse against polluters is in this way made possible will it pay for anyone to find a way to track pollutants to their source. Thus, my critics' version of FME cannot avoid the core idea of libertarianism: that each individual is sovereign in his sphere of private property, and therefore that nobody should be allowed to violate the boundaries of that sphere.

The convergence of FME and LE, then, is not only attitudinal but structural—as long as FME is defined narrowly, to exclude such devices as emissions-trading permits. Once FME is defined more broadly, to include such devices, it becomes nothing but a way "of making command and control more efficient."[5] It is in this

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sense that I called FME "statist at its core."[6] By rejecting this characterization of their position, Shaw, Anderson, and Leal retreat from FME to LE. But LE is, I argued, absurd; and none of my interlocutors offers the least rebuttal to this judgment.

Ironically, the retreat from FME to LE commits free-market environmentalists to precisely the approach they abhor: command and control. What, if not a coercively imposed attempt to reduce pollutants that have been targeted by the politicized processes of democracy, is the ideal of "a system of well-specified property rights and a system of common-law torts that forces a polluter to pay for any damages he generates"?[7] Pressed on this question, Anderson and Leal have argued that such a system can and has "evolve[d] through the private law of contracts and torts . . . the common law,"[8] hence that it is free of "government coercion" (Anderson & Leal 462). Anderson and Leal seem unaware of the fact that the judges who develop contract and tort law are government employees working with state-sanctioned and -enforced precedents and principles. Common law is as statist as statutory and administrative law. Indulging the mysterious classical liberal preference for judge-made law over laws made by "government bureaucrats,"[9] Anderson and Leal suggest that the former is more "market-based" (to use Shaw's terminology) than the latter.[10] Yet even where private (contract, tort, property, etc.) law was "privately" administered—as where "mineral rights and water rights . . . evolved in the mining camps and irrigation regions long before government bureaucrats established their presences in the territories or state capitals"[11]—the developers and enforcers (even self-enforcers) of this law were acting in the capacity of governments. Had "evolved" mineral or water rights been challenged, the challengers either would have been repulsed coercively or would have succeeded in establishing a new regime coercively.

A coercively enforced order is a de facto state; common law is governmental law. By ignoring these facts, Anderson and Leal foster the illusion that treating pollution as a tort is something other than a judicial version of command-and-control regulation. This illusion, in turn, may keep one from discerning the fatal flaw of LE. While broadly defined, unlibertarian versions of FME that embrace emissions permits probably cannot depoliticize the environment, the problem with LE is that it depoliticizes potential problems such as global warming at the price of prohibiting all

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pollution. In a libertarian world, *all* involuntary boundary crossings would have to be prohibited—bringing an end to most or all of human life and human activity.

Libertarian Anti-Intellectualism

As with my thought experiment regarding (broadly defined) FME, Shaw, Anderson, and Leal are unresponsive to my analysis of LE. The purpose of describing the extreme consequences of LE was not to sketch a libertarian utopia; it was to show that, in order to avoid the *dystopian* environmental implications of libertarianism, libertarians must trump their own principles with some form of utilitarianism. In this respect, environmental issues should be of interest not only to libertarian environmentalists, but to all libertarians. For such issues underscore the deficiencies of libertarianism in the starkest possible terms.

I argued that libertarians, by making individual freedom (defined as inviolate private property) the highest priority, must pursue an environmentalism so radical that it would require that each individual possess his own planet, so that not a single molecule of carbon dioxide from his lungs and not a single photon of light created by his activities would involuntarily cross the property boundaries, and thus violate the freedom, of anyone else. My point was not that any libertarian has ever advocated such a universe, but that, to be true to the principle that freedom is the most important value, all libertarians *should* advocate such a universe; and that by failing to do so, they inadvertently demonstrate the untenability of that principle. Shaw, Anderson, and Leal only confirm my argument, subordinating their concern for human freedom to a concern for human life and human welfare by invoking "common-sense" (Shaw 476) libertarianism as the alternative to the libertarian dystopia. The environment is the "libertarian Waterloo" because, in order to avoid banning all human activity as inherently coercive, such libertarians as Shaw, Anderson, and Leal must abandon libertarianism itself, sacrificing their devotion to freedom in favor of a commitment to preserve human life on this planet.

Consider Shaw's endorsement of "the common-law rule that allows *de minimis* amounts of pollutants"—in other words, "levels of pollution that everyone accepts" (476). By accepting what

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"everyone accepts," she is implicitly acceding to the *unlibertarian* reason people are willing to allow minor pollutants: since everyone—except the libertarian—thinks human well-being is more important than human freedom, it would be irrational for us to ban barbecue smoke and porch lights.

But it would not be irrational to ban such minor pollutants if our ultimate value were human freedom—the ultimate value that undergirds Shaw, Anderson, and Leal's version of FME. Anderson and Leal have argued that nothing is intrinsically valuable—except individual "preferences," as revealed in "voluntary transactions." Against "coercive environmentalists" who claim that, say, the intrinsic value of Yosemite's beauty should be protected from the preferences of people who might be able, in a free market, to build condos there, Anderson and Leal reply: "If [the coercive environmentalists] cannot outbid the condo lovers for whatever uses they want, then preferences, constrained by budgets, have been revealed," and Yosemite should be bulldozed.[12] By thus collapsing FME into LE, Anderson, Leal, and Shaw ground their position on the premise that coercion is the ultimate evil. But by repudiating the dystopia to which this premise leads, they cut that ground from under themselves.

This is why many libertarians, such as Murray Rothbard, realize that environmental issues pose a mortal threat to their values. (Hence my critique of Rothbard by means of the construction of the libertarian dystopia presented in "Politics or Scholarship?") By "commonsensically" accepting deviations from the libertarian dystopia, my critics admit that there are more important values than freedom. Having admitted this, they can mount no valid opposition to policies—not only environmental policies, but all redistributive and regulatory policies—that subordinate freedom to life, welfare, beauty, or other overriding values. By accepting *de minimis* levels of coercion in order to escape the libertarian dystopia, my critics open the door to any proposal that would use coercion in the service of life or health.

The point, of course, is not that libertarians ought to be more consistent, opposing even *de mimimis* amounts of pollution so as to preserve their opposition to the regulatory and redistributive state. The point is, rather, that the libertarian opposition to government on the basis of the supreme evil of coercion is unsustainable—unless we should oppose all pollution, and thus all human life. By

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opting for common sense and accepting *de minimis* levels of pollution, libertarians reveal the bankruptcy of their own ideology.

My critics seem unfazed by this argument, viewing it as a morally purist exercise that is of no relevance to pragmatic, "middle-of-the-road" libertarians like themselves (Anderson & Leal 463). The notion that the implications of libertarian philosophy are the ivory-tower preoccupations of "academics" (Shaw 478), and need not concern "real people," is common among a great many of those pro-market social scientists whose work is animated by a commitment to "freedom." Indeed, their scholarship may be seen as directly dependent on the sort of anti-intellectualism of which Shaw actually seems to be proud.

Such scholars implicitly accept the libertarian proposition that "freedom" (i.e., capitalism) is desirable regardless of its consequences. But this proposition renders irrelevant all disciplines that study what the consequences are. As a result, libertarians in such disciplines tend to be either (1) scholars whose work has no libertarian implications; or (2) scholars whose work is a form of propaganda for their pregiven political goals. But how is (2) possible, given the irrelevance of consequentialist scholarship to libertarianism?

While the results of, say, economic analysis are rendered irrelevant by libertarianism, they are not irrelevant to most people, since most people are not libertarians. Such people—like many libertarians *before they became libertarians*—may well be impressed by arguments that seem to establish, for instance, that capitalism improves material welfare, or that markets can solve environmental problems better than governments. Scholars who argue for the beneficial effects of capitalism may advance the libertarian cause, even though, strictly speaking, arguments about the consequences of freedom can in no way bear on its supposedly intrinsic value.

Such scholars could, in theory, act in bad faith, viewing their arguments about the benefits of capitalism as propaganda, with no value except in persuading others of things that should not really matter to them. But it is unlikely that many people will persevere in scholarly careers if they entertain such a debased view of their calling. Usually, therefore, the most politically committed libertarian social scientists will be those who never grasped the anticonsequentialistic implications of libertarianism in the first place. And there can hardly be a more effective barrier to grasping its implica-

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tions than the attitude that libertarianism is so obviously valid that only ivory-tower dreamers would waste their time *thinking about* it rather than doing policy studies designed to *implement* it.

The institutional milieu of much libertarian and free-market scholarship—the world of activist think tanks and semischolarly seminars, outside of universities where libertarian philosophical premises would be challenged daily—encourages this attitude. This milieu, I suggest, is one breeding-ground of contemporary libertarian anti-intellectualism, which combines an embrace of libertarian doctrine with an impatience about its foundations and implications. The social scientist operating in this environment is likely to assume that libertarian philosophy is sound, and will tend to be antipathetic to thinking through its details. Such scholars will be well suited to produce propaganda, which they will, however, tend to view as "intellectual ammunition" serving an indubitably just cause. Moreover, if they are to find an audience, they will not only produce consequentialist arguments for libertarianism, but will moderate the extremes to which libertarianism might point. A patina of reasonableness will obscure, from their intended audience as from the scholars themselves, the flaws of their creed.

Shaw (478) writes that FME "offers what I believe libertarians want—an approach to solving problems that does not rely heavily on government." Indeed it does. FME tells us how to get to where libertarians already want to go. While FME may initially appear to be about "environmental quality" (ibid. 476), the aim of its advocates turns out to be not a clean environment, but only as clean an environment as is compatible with "freedom." Libertarian anti-intellectualism thus explains both the unresponsive nature of the Replies, and the substance of the position they express. For the reason FME collapses into LE is that FME is libertarianism dressed up to appear compatible with human existence.

NOTES

1. Jeffrey Friedman, "Politics or Scholarship?" CRITICAL REVIEW 6, nos. 2–3 (Spring-Summer 1992): 429–45.
2. This is not to deny that scientific claims can be, and often are, politically motivated or improperly used for political purposes. I acknowledged this possibility in "Politics or Scholarship?"; indeed, I attempted to deal with the potential for abuse on *both* sides of scientific debates over environmen-

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tal issues (Friedman, 440–41). I object, however, to (1) taking a biased approach to exposing scientific bias, by assuming that it only cuts one way; and (2) supporting a political theory, such as libertarianism, that entails such bias.

3. Terry L. Anderson and Donald R. Leal, *Free Market Environmentalism* (San Francisco: Pacific Research Institute, 1991), 159–61.
4. On this problem see Michael Kellogg, "After Environmentalism: Three Approaches to Managing Environmental Regulation," *Regulation* 17 (1994), no. 1: 25–34, and his revealing exchanges with Anderson, Leal, and other free-market environmentalists in *Regulation* 17 (1994), no. 2: 2–5, and ibid., no. 3: 2–9.
5. Terry L. Anderson and Donald R. Leal, "Enviro-Capitalism vs. Environmental Statism" (a reply to Kellogg), *Regulation* 17 (1994), no. 2: 2–5, at 2.
6. Friedman, 443.
7. Anderson and Leal, "Enviro-Capitalism," 2.
8. Ibid., 4.
9. Ibid.
10. Perhaps this mystery has its origin in F. A. Hayek's repeated depiction of common law as an example of "spontaneous order" (e.g., F. A. Hayek, *Law, Legislation, and Liberty*, vol. 1, *Rules and Order* [Chicago: University of Chicago Press, 1973], 118ff.). But, as Hayek recognizes, each judge, in deciding a case in torts or contracts, must choose which precedents to follow and which interpretations of those precedents to apply. In this respect, common law could as easily be described as an instance of Hayek's *bête noir*, "constructivist rationalism," as of spontaneous order. On the other hand, as Hayek does not seem to realize, the entire body of statutory or administrative law at any moment is, like the body of common law, the unplanned product of many minds, each of which is, to some extent, dependent on "the principles on which the existing order is based" (ibid., 120) in deciding which forms of social justice or which special interests deserve protection, and in interpreting what that justice or protection requires. Statutory and administrative law can, therefore, be considered spontaneous orders with as much justification as can common law.
11. Anderson and Leal, "Enviro-Capitalism," 4.
12. Ibid., 3.

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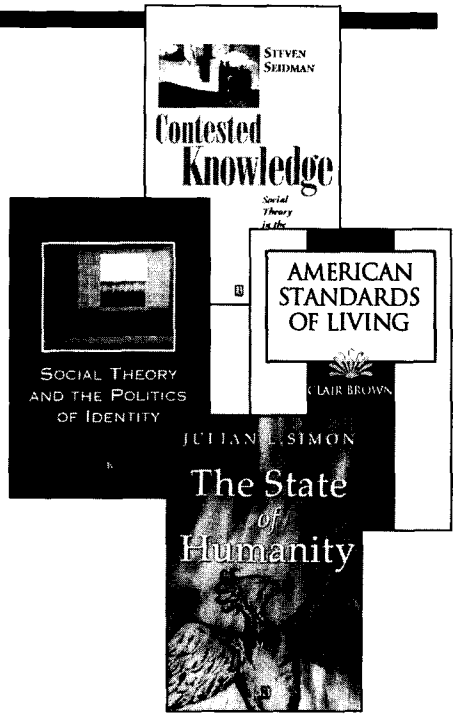

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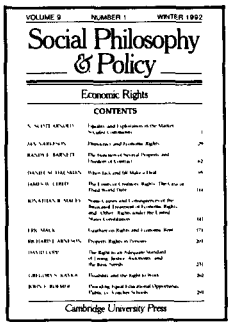

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